



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 1, 2021

Contact: Ernest Ruben  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Floris, Iowa, for the period April 1, 2020 through March 31, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, the lack of an investment policy, certain receipts recorded to an incorrect fund and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

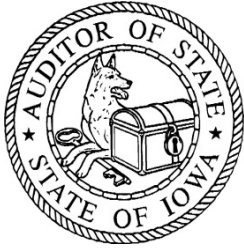
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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**CITY OF FLORIS**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2020 THROUGH MARCH 31, 2021**

**City of Floris**



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October 4, 2021

Officials of the City of Floris  
Floris, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Floris, Iowa, for the period April 1, 2020 through March 31, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Floris throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Floris**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Carolyn Browne	Mayor	Jan 2020	Jan 2022
Russell Bales	Council Member	Jan 2020	Jan 2022
Tony Bengé	Council Member	Jan 2020	Jan 2022
Allison Woods	Council Member	Jan 2020	Jan 2022
Dianna Smithart	Council Member	Jan 2020	Jan 2022
James Doud	Council Member	Nov 2020	Jan 2022
Dawn Kegarise	City Clerk/Treasurer		Indefinite
John R. Silko	Attorney		Indefinite

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Rob Sand  
Auditor of State

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Floris for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Floris' management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Floris' management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.



8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. The City had no debt.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

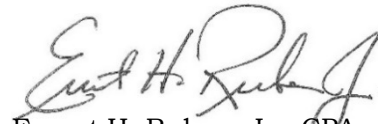
Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Floris' management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Floris and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Floris during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr.", written in a cursive style.

Ernest H. Ruben, Jr., CPA  
Director

October 4, 2021

**Detailed Findings and Recommendations**

City of Floris

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, check signing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing, signing, distributing, entering rates into the system and approval.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Accounting system – performing all general accounting functions, controlling all data input and output and having custody of assets.
- (8) Journal entries – preparing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) City Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, there is no evidence bank accounts are reconciled on a monthly basis.

Recommendation – The Fire Department should segregate accounting duties to the extent possible. Additionally, bank accounts should be reconciled monthly, and the reconciliations should be reviewed by an independent person as evidenced by the signature or initials and the date of review.

(C) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee and does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. The City does not maintain or report fund balances.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed. Fund balances should be maintained and reported.

City of Floris

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, for two of five account billings observed, utility fees billed could not be traced to receipts. We reviewed the collections printout and determined the amounts were collected however we could find no evidence a receipt had been prepared.

Recommendation – A detailed receipt should be prepared for all collections. Also, procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Monthly City Clerk’s Report – The City Clerk’s financial reports to the City Council included total monthly receipts and disbursements, but did not include a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund. In addition, the reports do not include a comparison of total disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons of total disbursements for all funds to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (F) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting including a summary of disbursements for each fund. In cities with a population of 200 or less, minutes may be posted in three public places, permanently designated by ordinance, in lieu of being published. Posted minutes do not include a summary of disbursements for each fund.

Recommendation – The City should comply with the Code of Iowa and include a summary of disbursements for each fund in the posted City Council meeting minutes, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2020 and at March 31, 2021 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Floris

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (I) Disbursements – Although the City Council approves a disbursement listing, no evidence exists to indicate invoices or other supporting documentation are reviewed and compared to the disbursement listing. Supporting documentation is not always cancelled to prevent reuse.

Recommendation – Prior to signing checks, the checks and supporting documentation should be reviewed by the City Council for propriety and include evidence of approval, such as signing or initialing and dating the invoice or other supporting documentation. Supporting documentation should be cancelled to prevent reuse.

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” We noted the following during our observation of the fiscal year 2020 AFR:

- (1) The ending balance exceeds the book balance by \$162 because the bank balance was used rather than the book balance.
- (2) Total receipts and disbursements did not agree with the City’s records. Total receipts per the AFR were \$91,769 while the City’s records reported \$92,220. Total disbursements per the AFR were \$91,109 while the City’s records reported \$91,264
- (3) Certain receipts and disbursements did not agree with the City’s records. Property tax and federal grant receipts were reported at \$13,223 and \$39,382, respectively, while the City’s records reported \$13,746 and \$38,382, respectively. Public safety and roads/bridges/sidewalks disbursements were reported at \$9,082 and \$39,320 while the City records were \$9,142 and \$39,374, respectively.
- (4) Fire department disbursements were incorrectly reported as Police department/crime prevention.
- (5) The AFR did not include the separately maintained Fire Department account activity or balances for the year as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should establish procedures to ensure all activity is properly reported on the AFR in accordance with the budget, accounting records and proper fund accounting.

- (K) Computer System – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan for its computer system. The disaster recovery plan should be reviewed at least once a year.

City of Floris

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (L) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City Fire Department maintains bank accounts for activity separate from the City Clerk’s accounting records. While this Department is part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (M) Payroll – One timesheet of five observed was not available to support the employee’s payroll.

Recommendation – Timesheets should be maintained for all employees to support hours worked.

- (N) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (O) Receipts – While performing observations, three receipts were identified which were posted to incorrect funds and account codes, including road use tax and local option sales tax (LOST).

Recommendation – The City should establish procedures to ensure all receipts are recorded accurately and timely in the City’s general ledger.

City of Floris

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director  
Katherine L. Rupp, CPA, Manager  
Cole L. Hocker, CPA, Senior Auditor II  
Noelle M. Johnson, Staff Auditor