



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

September 19, 2017

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of McGregor, Iowa for the period July 1, 2015 through June 30, 2016. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed budgeted amounts.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1621-0192-BLOF>.

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**CITY OF MCGREGOR**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

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**City of McGregor**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harold Brooks	Mayor	Jan 2016
Rogeta Halvorson	Council Member	Resigned Nov 2015
Joe Muehlbauer	Council Member	Jan 2016
Joe Collins	Council Member	Resigned Sep 2015
Rogeta Halvorson (Appointed Nov 2015)	Council Member	Nov 2017
Charlie Carroll	Council Member	Jan 2018
Janet Hallberg	Council Member	Jan 2018
Lynette Sander	City Administrator/Clerk	Indefinite
Mike Schiester	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harold Brooks	Mayor	Jan 2018
Rogeta Halvorson	Council Member	Nov 2017
Charlie Carroll	Council Member	Jan 2018
Janet Hallberg	Council Member	Jan 2018
Jason Echard	Council Member	Jan 2020
Joe Muehlbauer	Council Member	Jan 2020
Lynette Sander	City Administrator/Clerk	Indefinite
Mike Schiester	Attorney	Indefinite

**City of McGregor**



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of McGregor for the period July 1, 2015 through June 30, 2016. The City of McGregor's management, which agreed to the performance of the procedures performed, is responsible 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 sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed 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 reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed 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 reviewed 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 reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for 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. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

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

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of McGregor, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of McGregor and other parties to whom the City of McGregor may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of McGregor 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.



MARY MOSIMAN, CPA  
Auditor of State

January 24, 2017



## **Detailed Recommendations**

City of McGregor

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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, reconciling and recording.
- (3) Investments – recordkeeping, investing and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records, handling and recording cash.
- (5) Disbursements – purchasing, invoice processing, check signing, reconciling and recording.
- (6) Payroll – preparing, recordkeeping and distributing.

For the McGregor Dock Commission and Park Board, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing and recording.
- (2) Disbursements – check writing, reconciling and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City, the Park Board and the Dock Commission should review their 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) Local Option Sales Tax – The Local Option Sales Tax (LOST) ballot requires LOST receipts be used 50% for economic development and 50% for infrastructure improvements. During the year, the City disbursed economic development LOST funds for equipment, meals, and supplies. It is unclear how these disbursements qualify as economic development.

Recommendation – The City should consult legal counsel to determine the proper disposition of this matter.

(C) Bank Reconciliations – The cash balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed.

In addition, bank reconciliations are not prepared for the Dock Commission.

Recommendation – An independent person should review the City’s bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Monthly bank reconciliations should be prepared for the Docks Commission.

City of McGregor

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The City of McGregor utilizes McGregor Municipal Utility Company (MMU) to bill and collect sewer, garbage and storm sewer fees. However, MMU does not prepare and provide monthly reconciliations of utility billings, collections and delinquent accounts to the City and the City has not established procedures to ensure all amounts billed were collected and remitted to the City.

Recommendation – The City should work with MMU to establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City 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. The City should also establish procedures to ensure all amounts billed were properly collected and remitted to the City.

- (E) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the general governmental 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.

- (F) Separately Maintained Records – The City of McGregor Park Board and Dock Commission maintain separate bank accounts for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

Recommendation – 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.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

- (G) Deposits and Investments – The Library Board has invested trust fund money in depositories outside the State of Iowa. Chapter 12C of the Code of Iowa requires City deposits to be held in depositories located in the county in which the City is located.

Recommendation – The City should work with the Library Board to ensure their investments comply with Chapter 12C of the Code of Iowa.

- (H) Prenumbered Receipts – The receipts issued by the City were not prenumbered.

Recommendation – Prenumbered receipts should be issued for collections to provide additional control over the proper collection and recording of all receipts.

- (I) Unused Checks – Unused checks are not properly safeguarded in a locked cabinet.

Recommendation – The City should ensure unused checks are safeguarded in a locked cabinet.

City of McGregor

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (J) Park Board Gift Cards – The Park Board purchased discount gift cards from a convenience store and subsequently sold the cards at the face value as a fundraiser. Adequate records were not maintained to account for the gift card sales and deposits.

Recommendation – The Park Board should develop procedures to account for the gift card sales and deposits.

- (K) Payroll – The City Administrator/Clerk was paid \$29 in excess of the City Council authorized salary due to a miscalculation of the first payroll check issued during the fiscal year. In addition, the City Administrator/Clerk does not prepare timesheets to document hours worked and leave taken.

Recommendation – The City should correct the fiscal year 2016 overpayment. Timesheets should be completed and signed by the City Administrator/Clerk and reviewed and signed by an independent person.

City of McGregor

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager  
Joshua W. Ostrander, Senior Auditor  
Malika Moutiq, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director