



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

December 7, 2020

Contact: Ernest Ruben  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Casey, Iowa, for the period July 1, 2019 through June 30, 2020. 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 13 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent reviews of bank reconciliations for all months, utility reconciliations not completed for all months, the lack of publishing City Council meeting minutes within fifteen days of the meeting, disbursements exceeding budgeted amounts, the lack of approval of journal entries, the lack of tracking the use of local option sales tax receipts, disbursements and unspent balances, payment of long-term debt from an incorrect fund, the lack of supervisory approval of timesheets and separately maintained fire department funds not included in the City's financial records and monthly and annual financial reports. Sand provided the City with recommendations to address each of the findings.

Seven of the fifteen findings discussed above are repeated from the prior year. 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 CASEY**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2019 THROUGH JUNE 30, 2020**

**City of Casey**



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October 20, 2020

Officials of the City of Casey  
Casey, 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 Casey, Iowa, for the period July 1, 2019 through June 30, 2020. 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 Casey 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 Casey**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barry Chalfant	Mayor	Jan 2020
Nick Lindberg	Council Member	Jan 2020
Travis Petersen	Council Member	Jan 2020
Bret Wedemeyer	Council Member	Jan 2020
Stacy Mass-Wagner	Council Member	Jan 2022
Rick Richter	Council Member	Jan 2022
Michelle Sargent	City Clerk (Deceased)	
Janon Douglas	Interim City Clerk	Indefinite
Clint Fichter	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nick Lindberg	Mayor	Jan 2022
Stacy Mass-Wagner	Council Member	Jan 2022
Rick Richter	Council Member	Jan 2022
Leland Acker	Council Member	Jan 2024
Larry Chmelar	Council Member	Jan 2024
Bret Wedemeyer	Council Member	Jan 2024
Janon Douglas	Interim City Clerk	(Resigned Feb 2020)
Gwen Blass (Appointed Jan 2020)	City Clerk	Indefinite
Clint Fichter	Attorney	Indefinite

**City of Casey**



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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 Casey for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Casey's 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 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 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 2019 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
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. We scanned 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 scanned 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 observed 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 traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. 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.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. 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 not engaged to and did not conduct an examination or review, 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.

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 Casey 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.



Ernest H. Ruben, Jr., CPA  
Director

October 20, 2020

**Detailed Findings and Recommendations**

City of Casey

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

(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) Investments – recordkeeping, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Long-term debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – check preparation, posting, signing and distribution.
- (6) Payroll – check preparation, posting, signing, distribution and entering rates into the system.
- (7) Utilities – billing, collecting, depositing and posting.
- (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) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, the bank reconciliations were not independently reviewed for the months of August 2019 through December 2019. In addition, reconciliations that were independently reviewed were signed but were not dated evidencing timely review.

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

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, and delinquent accounts were not reconciled for July 2019 through April 2020. In addition, reconciliations that were completed and independently reviewed were signed but were not dated evidencing timely review.

Recommendation – The City should ensure utility billings, collections and delinquent accounts are reconciled each month. The City Council or other independent person designated by the City should review the reconciliations and monitor delinquent accounts each month. Reviews should be documented by the signature or initials of the reviewer and date of the review.

City of Casey

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (D) 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. Minutes for two meetings observed were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days of the meeting, as required.

- (E) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the culture and recreation and general government functions. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the May 4, 2020 budget amendment. 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) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries and the approval should be documented by the signature or initials of the approver and the date of approval.

- (G) Financial Reporting – One local option sales tax (LOST) receipt totaling \$2,687 was incorrectly recorded to the General Fund rather than the Special Revenue, LOST Fund.

Recommendation – The City should reimburse the Special Revenue, LOST Fund from the General Fund for the recording error.

- (H) Library Petty Cash Fund – The City library petty cash/change fund has not been authorized by the City Council.

Recommendation – The City Council should formally authorize the City library petty cash/change fund.

- (I) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires LOST receipts to be allocated as follows: 50% for roads and 50% for parks and recreation. The City has not properly tracked LOST receipts, disbursements and unspent balances to ensure compliance with the ballot provisions.

Recommendation – The City should establish procedures to track LOST receipts, disbursements and unspent balances to ensure LOST receipts are used in accordance with the ballot provisions.

City of Casey

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (J) Long Term Debt – Chapter 384.4 of the Code of Iowa states, in part, “Money’s pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” During the year ended June 30, 2020, a portion of the general obligation debt payments were paid from the City Hall Capital Project Fund.

Recommendation – In the future, the City should transfer funds available from other sources to service general obligation debt to the Debt Service Fund. Payments on general obligation debt should be made from the Debt Service Fund, as required.

- (K) Payroll – Timesheets did not always include evidence of supervisory review.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (L) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office but may be reimbursed for actual expenses incurred.”

An Attorney General’s opinion dated August 15, 2018, clarified Chapters 372.13(8) and 362.5 of the Code of Iowa and states, in part, “Iowa Code §372.13(8) (2018) bars city elected officers from receiving additional compensation for positions of employment beyond the salary received for their elected office. Iowa Code §362.5(3) (2018), providing exceptions to the general ban in that statute for city offices and employees having interests in contracts with the city do not allow city elected officers to receive additional compensation for positions of employment with their city beyond the salary provided for their elected office. That portion of prior formal opinion, Op. Atty. Gen. #93-8-2(L), finding that a city elected officer may serve as an employee of their city for additional pay if the compensation does not exceed annual cumulative amounts set under Iowa Code §362.5(3)(j) and (k) (2018), is retracted.”

During the year ended June 30, 2020, a City Council Member was paid \$60 for cleaning a city building. This compensation violates Chapter 372.13(8) of the Code of Iowa, which prohibits elected City officials from receiving compensation as a City employee.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including seeking reimbursement for the \$60 improperly paid to the City Council Member.

- (M) Financial Condition – At June 30, 2020, the City had a deficit balance of \$10,115 in the Special Revenue, Employee Benefits Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial condition.

City of Casey

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (N) Annual Financial Report – Beginning balances for the fiscal year 2019 Annual Financial Report (AFR) did not agree with the prior year AFR ending balances. In addition, total ending fund balances are \$2,173 more than the City’s financial records.

Recommendation – The City should ensure the AFR beginning balances agree with the prior year AFR ending balances. The City should also ensure ending fund balances reported on the AFR agree with the City’s financial records.

- (O) Casey Volunteer Firefighters Separately Maintained Records

Background:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, “A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits.”

Chapter 359.42 of the Code of Iowa requires townships to provide fire protection for the township and Chapter 359.43 allows the township trustees to levy an annual tax for the purpose of exercising its fire protection duties and allows the township trustees to “contract with a public or private agency under Chapter 28E of the Code of Iowa for the purpose of providing any service or system required or authorized under this section.”

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.”

Title III Chapter 5 of the Casey Code of Ordinances established a volunteer fire department to prevent and extinguish fires and protect lives and property against fires, to promote fire prevention and fire safety, and answer all emergency calls for which there is no other agency.

CWT Fire Association was established to provide fire protection for the City of Casey, Walnut Township and Thompson Township. The Association has a bank account separate from the City to pay for equipment and operating costs of the fire fighters. The Townships of Walnut and Thompson each contribute to the CWT Fire Association annually. The City of Casey also contributes to the Association directly. For the year ended June 30, 2020, the City contributed \$7,000 to the Association.

We noted the following:

- (1) The City was unable to provide documentation as to how CWT Fire Association was established. The Association does not appear to be organized as a non-profit organization and no documents could be located by the City to indicate its establishment as a 28E organization or a benefited fire district. Further, the City established a volunteer fire department by ordinance and the City owns the fire building. Therefore, the CWT Fire Association is considered a department of the City.

City of Casey

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (2) The Fire Department maintains bank accounts for activity separate from the City Clerk's accounting records. While the 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, as well as for better accountability, financial and budgetary control and oversight over the public funds, the financial activity and balances of the CWT Fire Association's funds, including funds provided by the Townships for fire protection, should be included in the City's accounting records, monthly financial reports and the Annual Financial Reports. The activity of all the Fire Department's funds 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.



City of Casey

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director  
Lesley R. Geary, CPA, Manager  
Vivian J. Hustad, Staff Auditor  
Conner G. McMurphy, Assistant Auditor