



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

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

FOR RELEASE

March 15, 2022

Contact: Michelle Meyer
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Le Grand, Iowa, for the period July 1, 2020 through June 30, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported nine findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 9 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent review of utility reconciliations, 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 LE GRAND
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021

City of Le Grand



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Rob Sand
Auditor of State

January 27, 2022

Officials of the City of Le Grand
Le Grand, 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 Le Grand, Iowa, for the period July 1, 2020 through June 30, 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 Le Grand 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Le Grand

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jay Wyatt	Mayor	Jan 2022
Shawn Hoskins	Mayor Pro tem	Jan 2022
Christopher Kadner	Council Member	Jan 2022
Judy Cecak	Council Member	Jan 2024
Troy Underhill	Council Member	Jan 2024
Don Weitzell	Council Member	Jan 2024
Jodi Abrahams	City Clerk/Treasurer	Indefinite
Kevin O'Hare	Attorney	Indefinite



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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 Le Grand for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Le Grand'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 City of Le Grand's 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 recommendations. 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. 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. 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. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
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 Le Grand's 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, and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Le Grand 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 Le Grand 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.


Michelle Meyer, CPA
Director

January 27, 2022

Detailed Findings and Recommendations

City of Le Grand

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 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) Payroll – recordkeeping, preparing, distributing, and entering rates into the system.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Utilities – billing, collecting, depositing and posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) 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) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit outstanding obligations, include checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. Eight checks totaling \$215 outstanding for more than two years have not been remitted to the Office of Treasurer of State.

Recommendation – Outstanding obligations, including checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

(C) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entry.

(D) Interfund Transfers – Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds to be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. During fiscal year 2021, the City made transfers totaling \$80,000 that were not approved by resolution which included the required information.

Recommendation – The City should comply with Rule 545-2.5 of the Iowa Administrative Code and approve all transfers by a resolution which includes the required information.

City of Le Grand

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (E) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Although the City’s software prepares monthly reconciliations of utility billings, collections and delinquent accounts, the City does not verify the billings, collections, and other reconciling items and the reconciliations are not independently reviewed. Additionally, variances on the software prepared reconciliation are not investigated.

Recommendation – The City should establish procedures to ensure the system generated reconciliations of billings, collections, delinquent accounts and other reconciling items are accurate. Any variances in the reconciliation should be investigated. The City Council or an 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.

- (F) Payroll – Timesheets are reviewed and approved by supervisory personnel. However, the approval is not dated. Documentation does not support that timesheets are reviewed and approved prior to processing payroll.

Recommendation – Timesheets, including vacation and compensatory time, should be reviewed and approved by supervisory personnel prior to preparation of the payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

- (G) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the capital projects function prior to the 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.

- (H) Change and Petty Cash Fund – The City maintains a change fund for which no authorization could be located. In addition, the City’s change fund and petty cash fund was not included in the City’s accounting records and resulting fund balances.

Recommendation – The change fund should be formally authorized by the City Council and should be maintained on an imprest basis to provided additional control. 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 funds and accounts, including change and petty cash funds should be included in the City’s accounting records and resulting fund balances.

City of Le Grand

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (I) Sewer Revenue Bonds – The provisions of the sewer revenue bond, series 2019, requires principal and interest on the sewer revenue bond to be paid from net revenues set aside in a sinking fund. Payments are to be made into the sinking fund in equal monthly installments on the first day of each month. The City has established a sinking fund; however, transfers were not made to the sinking fund and bond principal and interest was not paid from this fund.

In addition, the sewer revenue bond agreement requires the City to maintain a sewer surplus account, where net revenues remaining, after first paying the operating expenses and making the required payments into the sinking fund, shall be set apart. The City has not established a sewer surplus account.

Recommendation – The City should transfer sufficient amounts from the Enterprise, Sewer Fund to the sewer revenue bond sinking account for future principal and interest obligations. Payments on the bonds should be made from the sinking account, as required. In addition, the City should establish a sewer surplus fund, as required.

City of Le Grand

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director
Tiffany M. Ainger, CPA, Manager
Alyson J. Logel Staff Auditor
Craig S. Miller, Staff Auditor