



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

Rob Sand  
Auditor of State

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**NEWS RELEASE**

Contact: Michelle Meyer  
515/281-5834

**FOR RELEASE**

**June 30, 2022**

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Brighton, 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 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank and utility reconciliations and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

Three of the nine 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 [Audit Reports - Auditor of State](#).

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**CITY OF BRIGHTON**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2020 THROUGH JUNE 30, 2021**

**City of Brighton**



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Rob Sand  
Auditor of State

June 27, 2022

Officials of the City of Brighton  
Brighton, 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 Brighton, 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 Brighton 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", written in a cursive style.

Rob Sand  
Auditor of State

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**City of Brighton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Melvin Rich	Mayor	Jan 2022
Rose Jaynes	Council Member/Mayor Pro-Tem	Jan 2022
Charles Emry	Council Member	Jan 2022
Cathy Rich	Council Member	Jan 2024
Paul Shelangoski	Council Member	Jan 2024
Mary Smith	Council Member	Jan 2024
Amy Dailey	City Clerk	(Resigned Jan 2021)
Michelle Talley (Appointed Mar 2021)	City Clerk	Indefinite
Katie Mitchell	Attorney	Indefinite

**City of Brighton**



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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 Brighton 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 Brighton'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 Brighton'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 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. 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. 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.
17. We scanned Local Option Sales Tax (LOST) disbursements for compliance with the LOST ballot for fiscal years ended June 30, 2017 through June 30, 2021.
18. We scanned disbursements from the City's Enterprise Funds to the Fire Department for fiscal years ended June 30 2016 through June 30, 2021 to determine compliance with Chapter 384.89 of the Code of Iowa and Section 545-2.5(5) of the Iowa Administrative Code.
19. We scanned insurance premium disbursements to determine the payment allocation method between funds was adequately supported.

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 Brighton'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 Brighton 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 Brighton 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 B. Meyer, CPA  
Director

June 27, 2022

## **Detailed Findings and Recommendations**

City of Brighton

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) Investments – record keeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – entering rates into the system, billing, collecting, depositing, posting and maintaining accounts receivable records.
- (5) Debt – recordkeeping, compliance and debt payment processing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (8) Transfers – recording and reconciling.
- (9) Financial reporting – preparing and reconciling.
- (10) Accounting system – performing all general accounting functions and having custody of assets.

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 – While the City reconciled their general checking account, investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months observed, the bank and book balances did not properly reconcile. Variances of \$1,633 and \$1,670 were not resolved for September 2020 and June 2021, respectively, due to unrecorded investment interest. In addition, bank reconciliations were not reviewed by an independent person for the entire year.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Brighton

Detailed Findings and Recommendations

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

- (C) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public safety function prior to 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.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – 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) Journal Entries – Supporting documentation was not maintained for journal entries and journal entries were not approved.

Recommendation – Supporting documentation should be maintained for all journal entries. In addition, journal entries should be reviewed and approved by an independent person. This review should be documented by the signature or initials of the reviewer and date of the review.

- (F) Disbursements – During the years ended June 30, 2016 through June 30, 2020, the City made an annual payment to the General Fund subfund, Fire Department, to support fire protection operations. The annual payment was paid equally from the General Fund and the Enterprise, Gas Fund.

Chapter 384.89 of the Code of Iowa states, in part, the governing body of a city utility which has on hand surplus funds may transfer such surplus funds to any other fund of the city in accordance with any rules promulgated by the city finance committee if the transfer is also approved by the City Council. The City did not determine a surplus exists in the Enterprise, Gas Fund prior to making the annual payment to the Fire Department. In addition, fire protection is not an operating expense of the Enterprise, Gas Fund and supporting documentation does not support why this expense was paid from the Enterprise, Gas Fund.

Recommendation – Fire protection operations are not a function of the Enterprise, Gas Fund and disbursements for fire protection operations should not be made directly from the Enterprise, Gas Fund. If the City determines a surplus exists in an Enterprise Fund, the surplus amount may be transferred to another city fund, by resolution of the City Council. Documentation supporting the surplus calculation should be maintained.

- (G) Payroll – There was no evidence the payroll rates of two employees reviewed were approved by the City Council.

Recommendation – Procedures should be established to ensure payroll rates are approved by the City Council and documented in the City Council meeting minutes.

City of Brighton

Detailed Findings and Recommendations

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

- (H) Amazon Account – The City has an Amazon account that is used for city purchases. The City has not adopted a formal policy to regulate the use of the account and to establish procedures for the proper accounting of Amazon account charges.

Recommendation – The City should adopt a formal written policy regulating the use of the Amazon account. The policy, at a minimum, should address who is authorized to use the account and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- (I) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires all minutes of City Council proceedings be signed by the City Clerk. Minutes for one of four meetings tested were signed by the mayor, but not the City Clerk.

Recommendation – The City should comply with the Code of Iowa and ensure all City Council meeting minutes are properly signed by the City Clerk, as required.

City of Brighton

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director  
Jennifer L. Wall, CPA, Manager  
Ronica H. Drury, Staff Auditor  
Preston D. McVey, Assistant Auditor