



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

April 24, 2023

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of West Point, 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 bank and utility reconciliations and a deficit balance. Sand provided the City with recommendations to address each of the findings.

One of the nine findings discussed above is 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 website at [Audit Reports – Auditor of State](#).

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

City of West Point



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April 12, 2023

Officials of the City of West Point
West Point, 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 West Point, 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 West Point 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 West Point

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------|--------------------|---------------------|
| Paul Walker | Mayor | Jan 2022 |
| Joe Loving | Council Member | Jan 2022 |
| Brian Meierotto | Council Member | Jan 2022 |
| Will Stuekerjuergen | Council Member | Jan 2022 |
| Dan Waters | Council Member | Jan 2022 |
| Bruce Wellman | Council Member | Jan 2022 |
| Diane Smith | City Clerk | Indefinite |
| Randy Welding | City Administrator | 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 West Point 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 West Point'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 West Point'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 2021 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. We 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 West Point'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 West Point 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 West Point 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

April 12, 2023

Detailed Findings and Recommendations

City of West Point

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 – recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – entering and reviewing utility rates, billing, collecting, depositing and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Journal entries – preparing and recording with no independent review.
- (8) Long-term debt – recording, reconciling, and performing cash functions.

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 not reconciled to the bank and investment account balances throughout the 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 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 properly reconciled throughout the year. Although the City's utility software generates a monthly reconciliation, the amounts in the reconciliation are not compared to supporting records by the City.

Recommendation – Procedures should be established to reconcile utility billings, collections, and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

City of West Point

Detailed Findings and Recommendations

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

- (D) Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of 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. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

The City’s transfers to the General Fund and Enterprise, Sewer Fund from the Special Revenue, Local Option Sales Tax Fund exceeded the amounts approved by the City by \$5,477 and \$3,651, respectively.

The City transferred \$529 to the Capital Projects Fund from the Enterprise, Sewer Fund which was not approved.

Recommendation – The City should ensure all transfers all properly approved in accordance with the City Finance Committee Rules and transfers do not exceed the amounts approved.

- (E) Local Option Sales Tax (LOST) – The City’s LOST ballot requires LOST receipts to be allocated as follows: 50% for property tax relief, 40% for reconstruction, repairs, replacements or additions to the existing sanitary sewer system and 10% for maintenance, additions or construction to City owned parks. LOST disbursements were not tracked in a manner to document compliance with the requirement that 10% of LOST receipts are used for maintenance, additions or construction to City owned parks.

Recommendation – The City should establish procedures to track all LOST disbursements to ensure LOST receipts are being used in accordance with the LOST ballot.

- (F) Financial Condition – At June 30, 2021, the City had a deficit balance of \$3,975 in the Capital Projects Fund.

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

- (G) City Council Meeting Minutes – Chapter 21.3 of the Code of Iowa requires meeting minutes to include information sufficient to indicate the vote of each member. The minutes for four months tested did not show information sufficient to indicate the vote of each member present.

Recommendation – The minutes should show sufficient information to indicate the vote of each member present.

- (H) Road Use Tax – Chapter 312.6 of the Code of Iowa stipulates that “funds received by municipal corporations from the road use tax, shall be used for any purpose relating to the construction, maintenance, and supervision of public streets.” During fiscal year 2021, the City purchased a snowblower for use on sidewalks near City buildings and parks at a cost of \$2,200. This is not an allowable use of Road Use Tax receipts.

Recommendation – The City should transfer \$2,200 from an allowable fund, such as the General Fund to the Special Revenue, Road Use Tax fund to reimburse the fund for the unallowable disbursement.

City of West Point

Detailed Findings and Recommendations

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

- (I) 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 the approval.

City of West Point

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director
Tammy A. Hollingsworth, CIA, Manager
Brandon L. Weddell, Staff Auditor
Savannah R. Fitz, Staff Auditor