



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

November 6, 2023

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Moulton, Iowa, for the period July 1, 2021 through June 30, 2022. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts before the amendment and deficit cash balances. Sand provided the City with recommendations to address each of the findings.

Twelve of the thirteen 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 website at [Audit Reports – Auditor of State](#).

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CITY OF MOULTON
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2021 THROUGH JUNE 30, 2022

City of Moulton



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Rob Sand
Auditor of State

October 13, 2023

Officials of the City of Moulton
Moulton, 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 Moulton, Iowa, for the period July 1, 2021 through June 30, 2022. 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 Moulton 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 Moulton

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Ogden	Mayor	Jan 2024
Warren Daniels	Council Member	Jan 2022
Jewel Thompson	Council Member	Jan 2022
Mary Boyd	Council Member	Jan 2024
Susan Fitzgerald	Council Member	Jan 2024
Terry Pangburn	Council Member	Jan 2024
Vicki Withrow	City Clerk	Indefinite
Nicole Cox	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Ogden	Mayor	Jan 2024
Mary Boyd	Council Member	Jan 2024
Susan Fitzgerald	Council Member	Jan 2024
Terry Pangburn	Council Member	Jan 2024
Warren Daniels	Council Member	Jan 2026
Jewel Thompson	Council Member	Jan 2026
Vicki Withrow	City Clerk	Indefinite
Nicole Cox	Attorney	Indefinite

City of Moulton



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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 Moulton for the period July 1, 2021 through June 30, 2022, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Moulton'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 Moulton'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 2022 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 traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Moulton'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 Moulton 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 Moulton 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.



Brian R. Brustkern, CPA
Director

October 13, 2023

Detailed Findings and Recommendations

City of Moulton

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

(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 – investing, recordkeeping and custody.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Long-term debt – maintaining records, recording and reconciling.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Utilities – entering rates, billing, collecting, depositing and posting.
- (8) Journal entries – preparing, recording approval and review.
- (9) Financial reporting – preparing and reconciling.

For the Moulton Public Library accounts, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording, signing and reconciling.
- (3) Cash – handling, reconciling 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) Library Bank Reconciliations – The Moulton Public Library maintains bank accounts for activity separate from the City Clerk's accounting records. Reconciliations of the bank balances to the book balances were not prepared.

Recommendation – The Moulton Public Library should establish procedures to ensure bank account balances are reconciled to the book balance monthly. The reconciliations should be reviewed by an independent person. The independent review should include the signature or initials of the reviewer and the date of the review.

City of Moulton

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

- (C) Change Fund – The change fund was not approved by the City Council for an authorized amount.

Recommendation – The City should authorize an approved change fund amount by resolution and maintain the balance when preparing daily or weekly deposits.

- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (E) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report (AFR) include a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The ending fund balance reported for the special revenue funds was \$96,420 higher than the City's records.

Recommendation – The City should ensure fund balances reported on the AFR agree with the City's records.

- (F) Financial Condition – At June 30, 2022, the City had deficit balances of \$23,344 and \$13,142 in the Special Revenue, Rural Fire and Enterprise, Garbage Funds, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (G) 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, including total disbursements from each fund, a list of all claims allowed, including the reason for each claim, and a summary of receipts. Minutes for the four meetings tested did not include total disbursements from each fund.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes including total disbursements from each fund, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2022 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.

City of Moulton

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

- (I) 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.” Transfers were not approved by the City Council by resolution.

Recommendation – Transfers should be approved by resolution and the resolutions approving all fund transfers should include the information required by Section 545-2 of the Iowa Administrative Code City Finance Committee rules.

- (J) Journal Entries – Journal entries were not properly supported and were not approved by an independent person.

Recommendation – Supporting documentation should be maintained for all journal entries. In addition, an independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

- (K) Credit Cards – The City had credit cards for use by various employees while on City business. Payment of credit card transactions is performed as an automatic monthly withdrawal from the City’s checking account and is not approved by the City Council prior to payment.

Recommendation – The City should approve payments to the credit card vendor prior to disbursement by check.

- (L) Separately Maintained Records – 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 by any city officer, employee or other person, and which show the receipt, use and disposition of all city property.”

The Moulton Public Library maintains three bank accounts for activity separate from the City Clerk’s accounting records. While the Library 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 Report.

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 was not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Also, the City paid the voter approved library support levy tax dollars and the City allocation for the Library to the separately maintained Library accounts.

City of Moulton

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Moulton Public Library’s separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts 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. If these separate accounts will continue, the City should not pay any City funds to the Library account.

(M) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

City of Moulton

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Director
Pamela J. Bormann, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Brandon A. Krug, Assistant Auditor