

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

February 21, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Le Grand, 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 seven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 and 10 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations and an image of the back of each canceled check for all bank accounts not received. Sand provided the City with recommendations to address each of the findings.

Three of the seven 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 LE GRAND
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2021 THROUGH JUNE 30, 2022

City of Le Grand



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January 30, 2024

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, 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 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", written in a cursive style.

Rob Sand
Auditor of State

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City of Le Grand

Officials

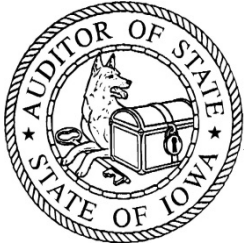
(Before January 2022)

<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

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shane Sweitzer	Mayor	Jan 2026
Todd Parrish	Mayor Pro tem	Jan 2026
Judy Cecak	Council Member	Jan 2024
Troy Underhill	Council Member	Jan 2024
Don Weitzell	Council Member	Jan 2024
Tyler Sawyer	Council Member	Jan 2026
Jodi Abrahams	City Clerk/Treasurer	Indefinite
Kevin O'Hare	Attorney	Indefinite

City of Le Grand



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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, 2021 through June 30, 2022, 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 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. 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 for 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, no exceptions were 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.

A handwritten signature in black ink that reads "Pam Bormann". The signature is written in a cursive, flowing style.

Pam Bormann, CPA
Director

January 30, 2024

Detailed Findings and Recommendations

City of Le Grand

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) 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.

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) 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.

(C) Change and Petty Cash Fund – The City’s change fund and petty cash fund was not included in the City’s accounting records and resulting fund balances.

Recommendation – 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.

(D) Disbursements – One disbursement observed totaling \$78 did not have supporting documentation.

Recommendation – The City should ensure all disbursements are properly supported by vendor invoice or other supporting documentation.

City of Le Grand

Detailed Findings and Recommendations

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

- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for all bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (F) Sewer Revenue Bonds – The City has established a sewer revenue bond sinking fund as required by the sewer revenue bond resolution and made transfers during the year. However, the amount transferred was less than the amount required. In addition, the City incorrectly coded interest and fees for the revenue bond as principal.

Recommendation – The City should review the sewer revenue bond resolution and ensure the correct amounts are transferred to the sewer revenue bond sinking fund. In addition, the City should ensure payments made are correctly coded.

- (G) Utilities – The City has an agreement with one of the residents where the City leases land on the resident's property and in exchange, the resident is not billed for utilities. This is not an appropriate arrangement because it understates the water and sewer funds receipts and fund balances by not requiring payment for utility usage and understates the disbursements and overstates the fund balance in the fund where the lease payments should be made from.

Recommendation – The City should cease the current agreement and instead enter into a lease agreement with the individual while charging them for utilities.

City of Le Grand

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Tiffany M. Ainger, CPA, Manager
Priscilla M. Ruiz Torres, Senior Auditor
Amila Tursunovic, Assistant Auditor