



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

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

March 8, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Cumming, Iowa, for the period April 1, 2022 through March 31, 2023. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 13 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, disbursements exceeding budgeted amounts, fund transfer transactions, and TIF fund reporting. 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 website at [Audit Reports – Auditor of State](#).

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CITY OF CUMMING
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2022 THROUGH MARCH 31, 2023

City of Cumming



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December 21, 2023

Officials of the City of Cumming
Cumming, 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 Cumming, Iowa, for the period April 1, 2022 through March 31, 2023. 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 Cumming 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".

Rob Sand
Auditor of State

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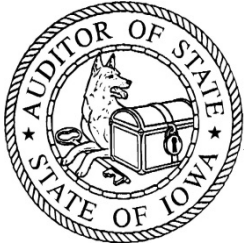
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City of Cumming

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Brent Highfill	Mayor	Jan 2022	Jan 2026
Thomas Cackler	Council Member	Jan 2020	Jan 2024
Kathie Hungerford	Council Member	Jan 2020	Jan 2024
Larry Goode, Jr.	Council Member	Jan 2022	Jan 2026
Charlie Ochenpaugh	Council Member	Jan 2022	Jan 2026
Martin Squier	Council Member	Jan 2022	Jan 2026
Rita Conner	City Administrator		Indefinite
Nichole Onstot	City Clerk		Indefinite
Cameron Wright	Attorney		Indefinite

City of Cumming



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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 Cumming for the period April 1, 2022 through March 31, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Cumming'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 Cumming'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, journal entries 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. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts for accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. 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.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. 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 Cumming'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 Cumming 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 Cumming 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
Deputy Auditor of State

December 21, 2023

Detailed Findings and Recommendations

City of Cumming

Detailed Findings and Recommendations

For the period March 1, 2022 through April 31, 2023

(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) Debt – Recordkeeping, compliance, and debt payment processing
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll –entering rates into the system, recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Financial reporting – preparing and reconciling.
- (8) Journal entries – preparing and recording.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.

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 – Although monthly bank reconciliations were prepared, there was no evidence of review of the reconciliations by an independent person.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Cumming

Detailed Findings and Recommendations

For the period March 1, 2022 through April 31, 2023

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The City has a contract with Des Moines Water Works for the provision and billing of water service. In addition, Des Moines Water Works performs the billing and collection services for the City’s water availability, sewer and solid waste enterprise functions. The City does not have procedures in place to identify expected collections for water availability, sewer and solid waste charges each billing period and to reconcile expected collections to actual collections. In addition, Des Moines Water Works charges a transaction fee for each billed account which is withheld from payments to the City.

Recommendation – The City should establish procedures to ensure the proper amounts are collected for water availability, sewer and solid waste services. This should be done through obtaining billing reports and delinquent account listings from Des Moines Water Works each billing period and reconciling collections, billings and delinquent accounts for the period. The City should remit a check to Des Moines Water Works for the monthly service fees rather than allowing it to be withheld from collections.

- (D) City Council Meeting Minutes – Minutes for four of four meetings observed were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and ensure all City Council meeting minutes are signed to authenticate the actions taken.

- (E) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the debt service, and business-type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and capital projects functions. 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.

- (F) Disbursements – For the thirty transactions observed, the following items were noted:

1. For one transaction observed, sales tax totaling \$8.31 was improperly paid.
2. Three invoices were not supported by any documentation.
3. Nine disbursements were not approved in council minutes.
4. One disbursement was paid at the incorrect amount.

In addition, one general obligation debt payment totaling \$47.27 was not supported by documentation.

Recommendation – Procedures should be established to ensure that expenditures are approved by city council, paid accurately, timely, and that records are kept for disbursements. In addition, the City should develop policies and procedures to ensure that sales tax is not paid on any purchases made by the City.

City of Cumming

Detailed Findings and Recommendations

For the period March 1, 2022 through April 31, 2023

- (G) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

In June 2022, the City certified \$150,000 for the 2023-2027 Urban Renewal Administration and Professional Support Program and will fund its support for the program using internal advances which will be determined each year. The certified amount includes projections of future economic development expenses rather than expenses that have already been incurred and paid. The tax increment financing program is a reimbursement basis program, meant to reimburse for debt issued and used to pay allowable project costs.

Recommendation – The City should decertify the \$150,000 for the 2023-2027 Urban Renewal Administration and Professional Support Program which included projected costs. For future TIF projects, once the City has incurred disbursements for a qualified TIF project from an allowable fund such as the General Fund, the City may approve an advance (interfund loan) from that fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the advancing fund to repay the interfund loan.

- (H) 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.

The resolutions approving the City’s fund transfers did not include amounts or, were inappropriately approved retroactively instead of prior to the transfer as required:

1. One transfer was approved without a listed amount.
2. Four transfers approved in the City's resolutions could not be traced to the accounting records.
3. A total of \$101,908 in transfers were initiated without documented resolution approval by the City Council.

Recommendation – Transfers should be approved by resolution. The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee rules. Approved transfers should be recorded in the City’s ledgers.

City of Cumming

Detailed Findings and Recommendations

For the period March 1, 2022 through April 31, 2023

- (I) Journal Entries – Journal entries were not properly supported and were not reviewed 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.

- (J) Payroll – Timesheets are not prepared by salaried employees. Also, City officials are paid for City Council and other meetings, however, there is no supporting documentation maintained for meeting attendance other than City Council meetings.

Recommendation – Timesheets should be prepared and signed by all employees. Timesheets should be reviewed and approved by the appropriate supervisory personnel or city officials prior to the preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of review. Documentation should be maintained to support all meetings attended by City officials if they are paid by the City.

- (K) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city and all expenditures...”. The City’s fiscal year 2022 Annual Financial Report reported receipts, disbursements, transfers and fund balances which do not agree with the City’s records. Fund balances reported on the Annual Financial Report at June 30, 2022 were understated by \$36,368 when compared to the ending fund balances per the City’s records.

Recommendation – The City should ensure future Annual Financial Reports agree with the City’s records and are properly reviewed and approved.

- (L) Change Fund – The change fund was not approved by the City Council for authorized amounts.

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

- (M) Monthly City Clerk’s Report – The monthly City Clerk’s reports presented to City Council for approval do not include a comparison of actual disbursements to budgeted disbursements by function.

Recommendation – The City should establish procedures to ensure the monthly City Clerk’s reports include a comparison of actual disbursements to the certified budget by function.

City of Cumming

Detailed Findings and Recommendations

For the period March 1, 2022 through April 31, 2023

- (N) Annual Urban Renewal Report – The amount reported by the City in the fiscal year 2022 Annual Urban Renewal Report as TIF debt outstanding for the municipal waterworks system extension was understated. The City believes there is a remaining obligation which should have been reported but was not. The amount certified for the project was \$312,000, however, City personnel are unsure of the amount of the outstanding obligation at 6/30/22.

In addition, the interest reported as an outstanding obligation for the Phase II Sewer project debt was overstated by \$591 while the interest on the Phase III sewer extension project was understated by \$950.

Recommendation – The City should ensure the amount of outstanding debt reported on the annual urban renewal report is complete and agrees with City records. Tracking of outstanding TIF debt should be sufficient to ensure proper reporting.

- (O) Merchandise Sales – The City sells various apparel and other items promoting the City without providing periodic reporting of sales and inventory on hand. In addition, policies and procedures do not exist to reconcile sales of merchandise to collections.

Recommendation – The City should establish policies and procedures to require a periodic reporting of sales and inventory on hand. The sales should be reconciled to collections deposited in the City's accounting system.

City of Cumming

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Deputy
Lesley R. Geary, CPA, Manager
Charles Duff, Staff Auditor
Kari L. Middleton, Staff Auditor