

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

Contact: Jim Cunningham
515/281-5834

FOR RELEASE

June 5, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Woodburn, 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 fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 10 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank reconciliations, disbursements exceeding budgeted amounts, questionable disbursements and missing equipment. Sand provided the City with recommendations to address each of the findings.

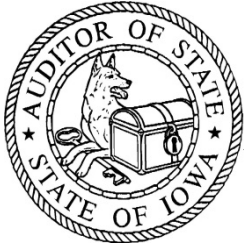
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

City of Woodburn



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March 7, 2024

Officials of the City of Woodburn
Woodburn, 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 Woodburn, Iowa, for the period July 1, 2022 through June 30, 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 Woodburn 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 Woodburn

Officials

(Before January 2022)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------|----------------------|---------------------|
| Denny Cottrell | Mayor | Jan 2024 |
| Vickie Brown | Council Member | Jan 2024 |
| Joy Durham | Council Member | Jan 2024 |
| Lance Steffens | Council Member | Jan 2022 |
| Robert Hedrick | Council Member | Jan 2026 |
| J.D. Williams | Council Member | Jan 2026 |
| Doris Loy | City Clerk/Treasurer | Indefinite |
| Caldwell, Brierly, Chalupa | Attorney | Indefinite |

(After January 2022)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| Denny Cottrell | Mayor | Jan 2024 |
| Vickie Brown | Council Member | Jan 2024 |
| Joy Durham | Council Member | Jan 2024 |
| Robert Hedrick | Council Member | Jan 2026 |
| Gary Parson | Council Member | Jan 2026 |
| J.D. Williams | Council Member | Jan 2026 |
| Doris Loy (Left in May 2022) | City Clerk/Treasurer | Indefinite |
| Caroline Cottrell | City Clerk/Treasurer | Indefinite |
| Caldwell, Brierly, Chalupa | Attorney | May 2022 |
| Marc Elcock | Attorney | 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 Woodburn 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 Woodburn, 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 Woodburn 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. The City had no debt.
10. The City had no TIF.

11. We traced selected receipts for 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. The City had no transfers.
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 Woodburn 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 Woodburn 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 Woodburn 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.



James S. Cunningham, CPA
Chief Deputy Auditor of State

March 7, 2024

Detailed Findings and Recommendations

City of Woodburn

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 petty cash, collecting, depositing, reconciling and recording.
- (2) Investments – custody of investments and recording. Also, no one independent is confirming investments.
- (3) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording. The same individual also has access to cash.
- (5) Payroll – recordkeeping, preparing and distributing. Also, enters payroll rates into the accounting system.
- (6) Financial reporting – preparing and no approval or evidence of review.

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 bank and investment account balances throughout the year. For the two months reviewed, the bank balance exceeded the book balance by \$82,615 and \$82,616, respectively. The variances noted were due to the City's book balance not including the City's investments and savings accounts.

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.

(C) Monthly City Clerk's Report – The City is not preparing a monthly City Clerk's report. The City Council was provided with monthly expenditures reports and a comparison of total disbursements to the certified budget. The City council was not provided with detailed receipts and ending balances by fund.

Recommendation – The City should establish procedures to ensure monthly City Clerk's reports are prepared and provided to the City council and mayor every month.

City of Woodburn

Detailed Findings and Recommendations

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

- (D) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety, culture and recreation, and general government 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.

- (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...” We noted that the City did not properly maintain copies of the City’s June 30, 2021 accounting records, including fund balances and coding of receipts and disbursements. We were unable to tie the receipts, disbursements and ending balances listed on the City’s 2021 AFR to the City’s financial records. Additionally, the City’s accounting records for total receipts and disbursements do not agree to the amounts reported on the fiscal year 2022 Annual Financial Report. Also, there are no procedures in place to ensure that all financial reports for the City are filed timely.

Recommendation – The City should develop policies and procedures to ensure that financial reports accurately reflect the financial condition of the City and that those financial reports are filed timely.

- (F) City Property – The City’s blank check supply, voided checks, and investment documents were all kept at the former City Clerk’s house.

Recommendation – The City should develop policies and procedures to ensure that all City property is kept in a City owned location where other City employees or elected officials would have access to it.

- (G) Disbursements – During our exam, we noted the following issues related to disbursements:

- For five of the 41 disbursements tested, the auditor could not verify that the disbursement was approved by the City council.
- For 10 of the 41 disbursements tested, there was no supporting documentation available, or the supporting documentation provided was not complete. Due to a lack of support, auditor could not verify if the transactions met the test of public purpose. The 10 unsupported disbursements total \$9,720.

Recommendation – The City should document in the City council minutes which disbursements were approved at that meeting. Also, the City should develop policies and procedures to maintain supporting documentation for disbursements.

City of Woodburn

Detailed Findings and Recommendations

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

- (H) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion date April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined by the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------|---|---------------|
| Doris Loy | Reimbursement of Norton subscription | \$ 320 |
| Doris Loy | Excess Mileage reimbursement | 6 |
| IPERS | Late fees and interest | 141 |

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation. For the Norton subscription, the City should work with legal counsel and the former City Clerk to recover the improperly disbursed amount.

- (I) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be signed by the City Clerk or Mayor. For two of the four meeting minutes tested, the meeting minutes were not signed by the City Clerk or Mayor.

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

- (J) Deposits and Investments – The City has not adopted an official 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.

- (K) Payroll – During our exam, we noted the following issues related to payroll:

- Minutes from when the former City Clerk was hired, do not mention pay rate or expected hours. Additionally, no payroll resolution was maintained in the City’s records.
- We were unable to determine if the former City Clerk’s gross payroll was properly authorized and reconciled to records.

Recommendation – Salaries and wages of employees should be stated in the City Council minutes as payroll rates. Additionally, policies should be established, and procedures should be implemented to require timesheets be completed, reviewed and approved by supervisory personnel prior to the preparation of payroll.

City of Woodburn

Detailed Findings and Recommendations

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

- (L) Competitive Bidding – The City Council asks that the former City Clerk publish a notice of public bids for the City Hall roofing project. The former City Clerk did not publish a notice of public bids. The City Council approved an invoice from a vendor provided to the City by the former City Clerk for the completed work.

Recommendation – The City Council should ensure all disbursements of funds that were requested to be bid, are properly published, a public hearing is held and one bid is awarded the work.

- (M) Scrap Metal – The City Council noted in their approval of the roofing project that the City of Woodburn would retain the scrap metal used on the roof for other City projects. However, the scrap metal was not retained. Additionally, there was no inventory records maintained which documented the amount, weight or value of the scrap metal leftover from the roof project.

Recommendation – The City should work with legal counsel regarding the missing scrap metal.

- (N) Missing Equipment – The City of Woodburn applied for and received a grant through the Iowa Office of the Chief Information Officer (OCIO) for computer equipment. As a result of the grant, the City was received seven Dell Laptops, one Dell Standard Bundle, and one Logitech Webcam. The City confirmed they had received on December 22, 2021, per discussion with OCIO. Per discussion with the mayor and current City Clerk, the City has seven laptops, the Logitech webcam, and the Dell Standard Bundle in their possession. However, the City does not have the USB keyboard connector. The item was purchased as part of a bundle for which we are unable to determine its individual value.

Recommendation – The City should work with legal counsel and the former City Clerk to recover the USB keyboard connector.

City of Woodburn

Staff

This engagement was performed by:

James S. Cunningham, CPA, Chief Deputy
Ryan T. Jelsma, CFE, Manager
Gono Quaye, Staff Auditor