



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

Rob Sand  
Auditor of State

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Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

Contact: Jim Cunningham  
515/281-5834

FOR RELEASE

June 5, 2024

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Patterson, 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 seventeen 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 bank and utility reconciliations, disbursements exceeding budgeted amounts, business transactions that may represent conflicts of interest and deficit fund balances. Sand provided the City with recommendations to address each of the findings.

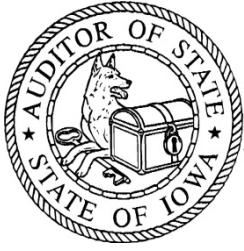
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

**City of Patterson**



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March 11, 2024

Officials of the City of Patterson  
Patterson, 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 Patterson, 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 Patterson 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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**City of Patterson**

**Officials**

**(Before January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rollie Robbins	Mayor	Jan 2024
Kevin Faux	Council Member	Jan 2022
Peral Faux	Council Member	Jan 2022
Teresa Faux	Council Member	Jan 2022
Harriet Dunsmoor	Council Member	Jan 2024
Angie Robbins	Council Member	Jan 2024
Doris Loy	City Clerk	Indefinite
Carl Pearce	Attorney	Indefinite

**(After January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rollie Robbins	Mayor	Jan 2024
Harriet Dunsmoor	Council Member	Jan 2024
Peral Faux	Council Member	Jan 2024
Angie Robbins	Council Member	Jan 2024
Linda Oglesbee	Council Member	Jan 2026
Jeff Olson	Council Member	Jan 2026
Doris Loy	City Clerk	Indefinite
Carl Pearce	Attorney	Indefinite

**City of Patterson**



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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 Patterson 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 Patterson'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 Patterson'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. 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. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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. The City had no transfers.
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 Patterson'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 Patterson 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 Patterson 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, consisting of a large, stylized initial 'J' followed by a long, horizontal, slightly wavy line that tapers to the right.

James S. Cunningham, CPA  
Chief Deputy Auditor of State

March 11, 2024

## **Detailed Findings and Recommendations**

City of Patterson

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 – recording and custody of assets. Also, no one is confirming investment balances periodically.
- (3) Long term debt – records and handles cash.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.

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) Debit Card – The City of Patterson utilizes a debit card. The City's purchases on the debit card in fiscal year 2022 was \$294.47.

Recommendation – The City of Patterson should discontinue the use of debit cards. Debit cards provide immediate access to the City's funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no prior approval of purchases made with a debit card.

(C) Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations did not contain evidence of an independent review. Also, the sewer savings bank account and the City's certificate of deposit are not being included in the City's bank reconciliation.

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

City of Patterson

Detailed Findings and Recommendations

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

- (D) Annual Urban Renewal Report – There is no documentation of approval of the annual urban renewal report in the City Council minutes. Also, the annual urban renewal report was not filed by December 1<sup>st</sup> as required by Chapter 384.22 of the Code of Iowa. Also, the amounts reported on the annual urban renewal report for TIF revenue and TIF fund balance do not match the City’s records. The TIF balance variance was \$10,203.

Recommendation – The City should have the annual urban renewal report approved by the City Council every year before filing with the Iowa Department of Management. Also, the annual urban renewal report should be filed with the Iowa Department of Management as required by Chapter 384.22 of the Code of Iowa. Also, the City should develop policies and procedures to ensure that the amounts reported on the annual urban renewal report accurately reflect the financial condition of the City.

- (E) Monthly City Clerk’s Report – The City is preparing a monthly City Clerk’s report to the City Council. However, that report does not include totals of receipts, disbursements, and transfers for each fund. Also, the monthly report does not contain a budget to actual comparison.

Recommendation – The City should establish procedures to ensure monthly City Clerk’s reports contain totals of receipts, disbursements, and transfers by fund, so that the City Council can monitor the financial condition of the City. The reports should also contain a budget to actual comparison, so that the City Council can make budget amendments before exceeding the budget.

- (F) City Council Meeting Minutes – The following items were noted with the City Council minutes:

- Chapter 372.13(6) of the Code of Iowa requires that a total expenditure from each City fund be included in the meeting minutes of the City Council. This is not being included in the posted City Council minutes.
- Chapter 372.13(6) of the Code of Iowa requires that a summary of all receipts be included in the City Council minutes. This is not being included in the posted City Council minutes.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and include a summary of receipts and a total of expenditures for each City fund.

- (G) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, and debt service 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.

City of Patterson

Detailed Findings and Recommendations

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

- (H) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation sanitary sewer bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (I) 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 the following regarding the City’s 2022 AFR:

- Total outstanding debt, principal and interest paid for the year in the long-term debt section did not agree to City records. Total variance is \$55,305.
- Prior year ending balance did not trace to current year beginning balance. Total variance is \$761.

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

- (J) City Property – The City’s blank check supply, certificate of deposit, debit card, a laptop, desktop computer, and webcam are all kept at the City Clerk’s house. Additionally, city owned laptops are kept at each City Council members home, as well as the Mayor. The City has a city owned location where these items can be kept.

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. Additionally, the City should develop protocols and procedures to ensure that City data kept on City computers is protected from misuse or improper dissemination.

- (K) Disbursement Approval – Payroll checks are sometimes be issued before they are approved by the City Council.

Recommendation – The City should develop policies and procedures to ensure that checks are only issued after approval by the City Council. If there are certain checks the City wants to issue before the City Council can approve them, the City Council should pass a resolution stating what specific kinds of checks will be issued before approval.

City of Patterson

Detailed Findings and Recommendations

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

- (L) 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. The disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Farmers & Merchants State Bank	Overdraft fee	\$ 30
Peral Faux	Reimbursement of sales tax paid for City purposes	12
Municipal Supply, Inc.	Sales tax	53

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.

- (M) General Ledger – The City recorded one local option sales tax receipt as a road use tax receipt \$1,676, and one road use tax receipt as a local option sales tax receipt \$1,563. Road use tax balance was overstated by \$113 while local option sales tax was understated by \$113.

Recommendation – The City should develop policies and procedures to ensure that receipts are properly recorded.

- (N) Financial Condition – The following funds of the City have a deficit balance as of June 30, 2022: the General Fund has a deficit balance of \$43,522 and the Employee Benefits Fund has a deficit balance of \$318.

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

- (O) Timesheets – Timesheets are not being prepared by salaried personnel.

Recommendation – The City should develop policies and procedures to ensure that all employees are preparing timesheets.

City of Patterson

Detailed Findings and Recommendations

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

(P) Disbursements – The following items were observed:

- Seven of thirty disbursements tested were not recorded in the City’s ledger in accordance with the uniform chart of accounts.
- One of thirty disbursements tested was paid before Council approval. The City does not have an approved resolution allowing for disbursements to be made before Council approval.
- For one of thirty disbursements tested, there was no supporting documentation available. The one transaction totaled \$69.19 and is considered an unsupported disbursement.

Recommendation – The City should implement the uniform chart of accounts for all transactions of the City. The City should not make disbursements before Council approval, unless a resolution is passed by the City Council allowing for this transaction to be paid before approval in the future. The City should maintain supporting documentation for all disbursements.

(Q) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Faux, father of City Council member, Kevin Faux and father-in-law of City Council member Teresa Faux	Snow removal	\$ 3,805

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Don Faux do not appear to represent a conflict of interest since they totaled less than \$6,000 during the fiscal year.



City of Patterson

Staff

This engagement was performed by:

James S. Cunningham, CPA, Chief Deputy  
Ryan T. Jelsma, CFE, Manager  
Brett S. Gillen, CPA, Senior Auditor II  
Kari L. Middleton, Staff Auditor