



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

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Auditor of State

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

June 14, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Griswold, 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 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts and money provided to a nonprofit corporation in violation of Article III Section 31 of the Constitution of Iowa. Sand provided the City with recommendations to address each of the findings.

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

City of Griswold



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May 28, 2024

Officials of the City of Griswold
Griswold, 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 Griswold, 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 Griswold 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 Griswold

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Rhine	Mayor	Jan 2022
Kirk Stapleton	Council Member	(Resigned Dec 2021)
Julie Adams	Council Member	Jan 2022
Carol Preston	Council Member	Jan 2022
Ryan Askeland	Council Member	Jan 2024
Carmen Sorensen	Council Member	Jan 2024
Ted Marciniak	City Manager	Indefinite
Barbara Teaney	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Rhine	Mayor	Jan 2026
Jared Wyman (Appointed Feb 2022)	Council Member	Nov 2023
Ryan Askeland	Council Member	Jan 2024
Carmen Sorensen	Council Member	Jan 2024
Jim Ridlen	Council Member	Jan 2026
Kirt Underwood	Council Member	Jan 2026
Ted Marciniak	City Manager	Indefinite
Barbara Teaney	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

City of Griswold



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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 Griswold 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 Griswold'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 Griswold'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. 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 Griswold'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 Griswold 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 Griswold 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

May 28, 2024

Detailed Findings and Recommendations

City of Griswold

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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling, posting and maintaining detailed accounts receivable records.
- (5) Disbursements – purchasing, invoice processing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, preparing and distributing.
- (7) Debt – recordkeeping, compliance and debt payment processing.

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) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amount budgeted in the community and economic development function. 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.

(C) Deficit Fund Balance – At June 30, 2022, the City had a deficit balance of \$21,009 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

(D) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. As a result, debt service and capital project disbursements were not classified to the proper function in accordance with the Uniform Chart of Accounts.

Recommendation – To provide better financial information and accurate financial reporting, the recommended COA, or its equivalent, should be followed.

City of Griswold

Detailed Findings and Recommendations

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

(E) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The following were noted regarding the City’s 2022 AFR:

- The beginning balance reported was \$180 higher than the City’s records while the ending balance was \$75,810 lower than the City’s records.
- The receipts reported in the AFR were \$1,637 lower than the City’s records while the disbursements were \$71,468 higher than the City’s records.
- The transfers reported in the AFR were \$41,949 lower than the City’s records.
- Certain receipts and disbursements reported in the AFR did not agree with the City’s records.

Recommendation – The City should establish procedures to ensure all financial information is properly reported on the AFR and is supported by City records. An independent person should review the AFR for accuracy and the review should be documented by the signature or initials of the reviewer and the date of the review.

(F) Untimely Deposits – Two intergovernmental receipts observed were not deposited in a timely manner (within 10 days).

Recommendation – To improve internal controls and safeguard assets, the City should establish procedures to ensure all receipts are deposited timely.

(G) Annual Urban Renewal Report – The amount reported by the City in the Annual Urban Renewal Report on the Levy Authority Summary as TIF debt outstanding for the 2016 Alleyway general obligation capital project note was overstated by \$9,182. In addition, the \$7,000 internal advance certified by the City in 2019 was not included in the balance for the TIF debt outstanding. The beginning cash balance reported was overstated by \$44,130 and receipts reported were understated by \$44,130. The ending cash balance was understated by \$44,177 and disbursements reported were overstated by \$44,177. Also, the City Council did not approve the report by an affirmative vote as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should ensure the amount of outstanding debt and the activity reported on the annual urban renewal report agrees with City records and the report is approved by the City Council as required.

(H) Transfers – The City transfers money to and from various funds periodically. The following were noted regarding the City’s transfers:

- \$1,105 of reimbursements were incorrectly recorded as a transfer in.
- Resolution 5-2022 approved transferring \$76,820 from the Debt Service Fund to the General Fund. The transfer was made as approved but was later reversed. Subsequently, a transfer of \$73,953 from the Debt Service Fund to the General Fund was made without the approval of an updated resolution.
- Resolution 20-2022 approved transferring \$2,000 from the Special Revenue, Rescue Fund to the General Fund but the transfer was never made.

City of Griswold

Detailed Findings and Recommendations

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

- Resolution 25-2022 approved transferring \$2,687 from the Special Revenue, Road Use Tax Fund to the Debt Service Fund. The transfer was made as approved but was later reversed and reposted as coming from the General Fund with no corresponding resolution to approve the change.
- Resolution 25-2022 approved transferring \$10,335 from the General Fund to the Capital Project Fund but the transfer was never made.

Recommendation – The City should ensure all reimbursements are properly recorded as receipts, rather than transfers. The City should make corrective transfers for the above errors and should establish procedures to ensure all future transfers are recorded as approved by the City Council.

- (I) Unclaimed Property – Chapter 556.11 of Code of Iowa requires each City to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of the Treasurer State annually. The City did not remit three checks outstanding for greater than two years.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of the Treasurer of State annually, as required.

- (J) Bank Reconciliations – We observed the August 2021 and June 2022 bank reconciliations and noted the certificate of deposit accounts as shown on the general ledger balance sheet agreed to the bank in total but individually did not agree to the individual certificate of deposit amounts listed by fund.

Recommendation – The City should resolve all variances between the general ledger and bank balances.

- (K) Utility Rates – The utility rates entered into the system are not periodically reviewed by an independent person to ensure proper utility calculations and billings.

Recommendation – An independent person should periodically review utility rates entered in the system when rate changes occur to ensure the proper rates are used to calculate utility billings.

- (L) Credit Card Disbursements – Original vendor receipts were not available to support purchases totaling \$418 on two separate credit card statements observed. In addition, one of the two credit card payments observed included \$96 of interest and fees.

Recommendation – All disbursements, including credit card purchases, should be supported by original vendor invoices and the original vendor invoices should be reconciled to the monthly credit card statements prior to payment. The City should also establish procedures to ensure disbursements are paid timely to avoid late fees and interest.

City of Griswold

Detailed Findings and Recommendations

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

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

Paid to	Purpose	Amount
Hy-Vee	Bereavement flowers for employee	\$ 55
Sam’s Club	Three memberships – memberships unused by City	45

According to the opinion, it is possible for certain 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 requirements for proper public purpose documentation.

- (N) City Council Meeting Minutes – Chapter 21.5 of the Code of Iowa requires the City Council to publicly announce during open session the specific exemption for going into closed session and to document the reason in the minutes. For the April 11, 2022 City Council meeting minutes, the specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented, as required.

Recommendation – The City should comply with Chapter 21.5 of the Code of Iowa and document the specific exemption to enter into closed session.

- (O) Official Depositories – A resolution naming official depositories has been adopted by the City. However, the maximum deposit amount stated in the resolution for one bank was exceeded during the year ended June 30, 2022. In addition, the City holds certificates of deposit in one bank which was not included in the resolution.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at the approved depositories should be adopted by the City. In addition, all financial institutions utilized by the City should be included on the approved depository resolution.

City of Griswold

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Suzanne R. Dahlstrom, CPA, Manager
Taylor A. Hepp, Senior Auditor
Amila Tursunovic, Assistant Auditor