



**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: Brian Brustkern  
515/281-5834

FOR RELEASE

July 12, 2024

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Elgin, 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.

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of complete bank reconciliations and utility reconciliations, disbursements exceeding budgeted amounts, and independent review of journal entries. 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 ELGIN**

**AUDITOR OF STATE'S INDEPENDENT REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2022 THROUGH JUNE 30, 2023**

**City of Elgin**



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Rob Sand  
Auditor of State

May 23, 2024

Officials of the City of Elgin  
Elgin, 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 Elgin, 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 Elgin 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".

Rob Sand  
Auditor of State

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**City of Elgin**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
James Knobloch	Mayor	Jan 2022	Jan 2026
Brian Thomas	Council Member	Jan 2020	(Resigned Jun 2023)
Bob Frieden	Council Member	Jan 2020	Jan 2024
Barb Wenger	Council Member	Jun 2021	Jan 2024
Dave Christianson	Council Member	Jan 2022	Jan 2026
Chris Wachal	Council Member	Jan 2022	Jan 2026
Ginger Wander	City Clerk		Indefinite
Jeremiah White	Attorney		Indefinite

**City of Elgin**



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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 Elgin for the period July 1, 2022 through June 30, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Elgin'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 Elgin'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. 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 Elgin'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 Elgin 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 Elgin 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

May 23, 2024

## **Detailed Findings and Recommendations**

City of Elgin

Detailed Findings and Recommendations

For the period July 1, 2022, through June 30, 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) Investments – custodian and recording.
- (3) Long-term debt – recordkeeping, compliance, and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling, and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling, recording, access to credit card and access to credit cards.
- (6) Payroll – recordkeeping, preparing, distributing and entering rates in the system. In addition, the same individual tracks compensated absences.
- (7) Utilities – billing, collecting, depositing, posting, maintaining detailed accounts receivable records and entering rates in the system.
- (8) Financial reporting – preparing and reconciling.

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 and supporting documentation should be documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – While the City reconciles the general ledger to the general checking and revolving checking accounts monthly, the reconciliations do not include investment accounts (i.e., savings accounts and certificates of deposit) and outstanding checks/deposits and other reconciling items are not reviewed or investigated for reasonableness.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. The reconciling process should include a verification of all reconciling items, including outstanding checks and deposits.

(C) Monthly City Clerk's Report – The monthly City Clerk's report presented to the City Council for approval does not include transfers, balances for each fund or a comparison of actual disbursements to the certified budget by function.

Recommendation – To facilitate the City Council's review and oversight of City finances, the monthly City Clerk's report presented to the City Council for approval should include transfers, balances for each fund and a comparison of actual disbursements for all funds to the certified budget by function.

City of Elgin

Detailed Findings and Recommendations

For the period July 1, 2022, through June 30, 2023

- (D) Financial Condition – At June 30, 2023, the City had deficit balances of \$29,503 in the General Fund and \$1,035 in the Enterprise, Solid Waste Fund.

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

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other 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.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting, including a summary of all receipts. The minutes publications for four meetings tested did not include a summary of receipts.

Recommendation – The City should comply with the Code of Iowa and ensure published minutes include a summary of all receipts, as required.

- (G) Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amount budgeted in the culture and recreation 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.

- (H) 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...” Beginning balances in the fiscal year 2022 AFR do not agree to the prior year ending balances by \$37,484. The June 30, 2022 total ending fund balance was understated by \$1,134 in comparison to the City’s records.

Recommendation – The City should establish procedures to ensure the AFR beginning and ending balances agree to the City’s records.

- (I) Payroll – One timesheet tested had no evidence that the hours worked were reviewed and approved.

Recommendation – Timesheets should be reviewed and approved by supervisory personnel before payroll checks are prepared.

City of Elgin

Detailed Findings and Recommendations

For the period July 1, 2022, through June 30, 2023

(J) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

(K) Depositories – A resolution naming official depositories has been adopted by the City Council, but it did not specify the maximum dollar amount that may be kept at each depository as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – 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.

(L) 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 several 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.

City of Elgin

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Luke M. Bormann, CPA, Senior Auditor II  
Jacob D. Blaskey, Auditor Intern