



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
515/281-5835
Or Jim Cunningham
515/281-5834

FOR RELEASE _____ August 20, 2024

Auditor of State Rob Sand today released a report on the City of Bagley (City) for the period July 1, 2022 through June 30, 2023. The procedures were performed at the request of petitioners pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*.

The petition was submitted because of concerns regarding certain payroll disbursements and content of minutes such as approval of pay raises and publication compliance.

Sand reported the petition identified issues related to the City's budget submission, payroll disbursements and credit card disbursements.

Sand recommended City officials implement procedures to ensure the City's internal controls are strengthened, including properly segregated duties, performing independent reviews of credit card statements, ensuring all disbursements and payroll checks are properly supported and approved. In addition, Sand recommended developing policies and procedures for credit card.

A copy of the report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

**AUDITOR OF STATE'S REPORT ON
THE CITY OF BAGLEY
FOR THE PERIOD
JULY 1, 2022, THROUGH JUNE 30, 2023**

Table of Contents

	<u>Page</u>
Officials	3
Auditor of State's Report	5
Background Information	6
Concerns and Auditor's Responses	6-7
Staff	8

City of Bagley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>As of April 2022</u>		
Ruth Riley	Mayor	2023
John Richardson	Council	2023
Ken Beaudet	Council	2023
Jon Shaffer	Council	2023
John Mathews	Council	2023
Deanna Gibson	Council	2023

As of January 2024

Glen Foresman	Mayor	2025
Lexee Bonus	Council	2027
Deanna Gibson	Council	2025
Kylie Carmicahel	Council	2027
Emily Chapman-Olesen	Council	2027
Daphne Clark	Council	2027

City of Bagley



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Auditor of State's Report

To the Honorable Mayor and Members of the City Council:

We received a request to perform procedures of the City of Bagley (City) in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result of concerns, we performed procedures regarding certain financial transactions related to payroll and credit card use and compliance with meeting minutes for the period July 1, 2022 through June 30, 2023. The City's management is responsible for the financial transactions of the City's payroll and credit card use. Based on discussions with City personnel and a review of relevant information, we performed the following procedures.

1. Interviewed City officials and evaluated internal controls for payroll processing and credit card use.
2. Obtained and scanned documents related to payroll processing and credit use to determine if expenses were reasonable for City operations.
3. We scanned the City's meeting minutes to determine actions taken by the City Council related to pay raises and tax levies were published within 15 days in compliance with Chapter 380 of the Code of Iowa.
4. We observed the annual certified budget for proper authorization, certification, and timely amendment.

We identified issues related to the City's budget submission, payroll disbursements and credit card disbursements during the performance of the specific procedures listed above. However, recommendations were provided for some concerns to help strengthen the City's policies and procedures.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the City, additional matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, 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 assistance extended to us by the officials and personnel of the City during the engagement.

A handwritten signature in black ink that reads "Rob Sand".

ROB SAND
Auditor of State

July 31, 2024

City of Bagley

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

Background Information

We received a citizens' petition to conduct procedures at the City of Bagley (City) for the fiscal year 2023. The request specified concerns related to:

- The City Clerk issued two checks to herself during the same pay period in June 2023.
- A raise was verbally approved by the Board for the City Clerk without written approval from the Board.
- The City's budget for fiscal year 2024 was not filed timely.

As a result of the request and review of the concerns, we determined it was necessary to perform procedures for the concerns identified. The procedures were performed for the period July 1, 2022 through June 30, 2023.

We identified issues related to the City's budget submission, payroll disbursements and credit card disbursements during the performance of the specific procedures. However, recommendations were provided for some concerns to help strengthen the City's policies and procedures. In addition, information obtained while performing the procedures is included in the following section of this report along with the concerns provided to us.

Concerns and Auditor's Responses

- 1) **Payroll Checks** – Petitioners were concerned over two payroll checks issued in June 2023 to the current City Clerk for the same pay period.

Auditor's Response – We obtained and reviewed current City Clerk, Jennifer Ingles', payroll payments for the fiscal year 2023. We also reviewed current City Clerk's reimbursements to determine if they were properly supported and were reasonable for City operations.

During our review of payroll issued to current City Clerk, we noted the following:

- Check 32324 in the amount of \$1,074.55 could not be traced to a payroll journal or a reimbursement. However, based on our review of the City's bank statements, the check was issued on June 9, 2023 and subsequently cleared the bank on June 13, 2023. The amount of the check is the same amount of previously approved payroll checks; however, the date of the check issued did not fall within the normal payroll pay period. As a result, this is an improper payment.
- Check 32120 dated September 2, 2022 totaling \$1,167.11 included \$1,068.12 for payroll and \$98.99 for mileage. The City Clerk did not provide any information or documentation to support the \$98.99 mileage reimbursement. Therefore, we will consider the \$98.99 mileage reimbursement as unsupported.
- Check 32258 dated February 27, 2023 totaling \$1,109.55 included \$1,062.80 for payroll and \$46.75 of additional funds. The City Clerk did not provide any information or documentation to support the \$46.75 of additional funds received. Therefore, we will consider the \$46.75 as unsupported.

Auditor's Recommendation – City officials should ensure all payroll disbursements are properly supported, approved, and correspond with the payroll pay period. In addition, all reimbursements should be properly supported, document locations driven to, and the purpose of the travel.

- 2) **City Credit Card Purchases** – Petitions expressed concerns related to the City's credit card used by the current City Clerk.

Auditor's Response – According to the City Clerk, she is authorized to make purchases needed for City operations such as office, maintenance, and cleaning supplies. According to the current City Clerk, when something is needed for the City, she would first obtain a verbal approval from the Mayor, use the City's credit card to make the purchase, and then provide the monthly credit card statement to the City Council during their meetings for review and approval. After the Council approved the disbursements made on the credit card, the City Clerk and the Mayor signed the check.

We reviewed the credit card transactions and supporting documentation for fiscal year 2023 to determine if the purchases were reasonable for City operations. During our review, we identified \$1,006.20 of purchases on the City's credit card. Of which, \$361.02 did not have adequate supporting documentation or detailed supporting documentation to determine if the purchases were reasonable for City operations. This includes purchases for snacks and candy from a Dollar Tree in Perry Iowa on March 29, 2023 and \$103.75 in laundry related purchases from Menards in Grimes, Iowa on February 7, 2023.

Auditor's Recommendation – City officials should implement policies and procedures for the use of the City's credit card to ensure all purchases are reasonable for City operations and are properly supported by adequate supporting documentation.

- 3) **Fiscal Year 2024 City Budget Submission** – Petitioners expressed concerns related to the City's submission of their budget to the Department of Management by the April 30, 2023, deadline.

Auditor's Response – We reviewed the Department of Management's (DOM) website to identify the timeline of when the City's budget was finalized. During our review, we determined the City Clerk did not submit the City's budget to the DOM by the April 30, 2023, deadline. Specifically, the Department's records show the following:

- The new budget fiscal year started on 7/1/23.
- The public hearing for the City's budget was 8/21/23.
- The budget was adopted on 8/21/23.
- The budget was certified on 1/3/24.
- The budget was finalized on 1/3/24.

Based on this information, the City's budget hearing didn't happen until over a month after the fiscal year 2024 began and was not finalized until six months after the fiscal year began.

Auditor's Recommendation – City officials should implement policies and procedures to ensure that they are submitting their budget to the Department of Management before the annual deadline specified by the Iowa Legislature.

City of Bagley

Staff

This engagement was performed by:

Richard D. Flenory CIA, CFE, Staff Auditor

A handwritten signature in black ink that reads "Melissa Finestead". The signature is written in a cursive, flowing style.

Melissa J. Finestead, CFE
Deputy Auditor of State