



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Pam Bormann
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FOR RELEASE

October 1, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Westfield, Iowa, for the period April 1, 2023 through March 31, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fourteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, disbursements exceeding budgeted amounts and questionable and unsupported disbursements. 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](#).

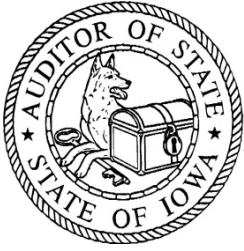
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CITY OF WESTFIELD

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

**FOR THE PERIOD
APRIL 1, 2023 THROUGH MARCH 31, 2024**

City of Westfield



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

August 29, 2024

Officials of the City of Westfield
Westfield, 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 Westfield, Iowa, for the period April 1, 2023 through March 31, 2024. 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 Westfield 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 Westfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jenny Hartman-Mendoza	Mayor	Jan 2024	Jan 2026
Riley Dennison	Council Member	Feb 2024	Nov 2025
Chad Carlson	Council Member	Jan 2022	Jan 2026
Hayden McInnis	Council Member	Jan 2022	Jan 2026
Aranda Stai	Council Member	Jan 2024	Jan 2028
Beth Terpstra	Council Member	Jan 2024	Jan 2028
Karen Wardrip	City Clerk		Indefinite
John Hines	Attorney		Indefinite



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Rob Sand
Auditor of State

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 Westfield for the period April 1, 2023 through March 31, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Westfield'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 Westfield'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 were in place and incompatible duties, from a control standpoint, were 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, journal entries 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 were properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2023 Annual Financial Report to determine whether it was completed timely 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 observed 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. 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. 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 Westfield'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 Westfield 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 Westfield 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.



Pam Bormann, CPA
Director

August 29, 2024

Detailed Findings and Recommendations

City of Westfield

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

(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 – detailed recordkeeping, investing, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable.
- (5) Journal entries – preparing and recording.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – recordkeeping, preparing and distributing.
- (8) Financial reporting – preparing and reconciling.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.

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 – Although monthly bank reconciliations were prepared, there was no evidence of review of the reconciliations by an independent person. Additionally, for one month observed, the bank balance exceeded the book balance by \$87,410 due to timing of the reconciliation performed, causing transactions posted in the following month to be included in the book balance.

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 the signature or initials of the reviewer and the date of the review.

(C) 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.

City of Westfield

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

- (D) Monthly City Clerk's Report – The City Clerk's financial reports to the City Council did not include a comparison of total disbursements for all funds to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (E) Deposits and Investments – The City has not adopted a written 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.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted, including total disbursements from each fund and a summary of receipts. Minutes for four of four meetings observed did not include total disbursements from each fund or a summary of receipts.

Recommendation – The City should comply with the Code of Iowa and post City Council minutes, including total disbursement from each fund and a summary of receipts.

- (G) Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the business-type activities function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the culture and recreation and business-type activities 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 Westfield

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

- (H) 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
City of Westfield	Christmas lighting contest winnings applied to utility bill	\$ 100
City of Westfield	Christmas lighting contest winnings applied to utility bill	75
City of Westfield	Christmas lighting contest winnings applied to utility bill	50
Akron Hometownner	Colored Christmas ad in paper	125

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.

- (I) Disbursements – The invoice and supporting documentation for one of thirty transactions observed for \$126 for postage stamps could not be located.

Recommendation – The City should establish procedures to ensure all disbursements are properly supported by an invoice or other supporting documentation and this documentation should be maintained.

City of Westfield

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

(J) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring passwords be changed every 60 to 90 days.
- Installing software from a vendor and ensuring only software licensed to the City is installed on computers.
- Requiring the use of anti-virus program on its computers.
- Usage of the internet.
- Personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies and procedures addressing the above items in order to improve the City’s control over its computer-based system. Also, a written disaster recovery plan should be developed, approved and tested periodically.

(K) Accounting Policies and Procedures Manual – The City did not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar situation arises.

(L) Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – Journal entries should be reviewed by someone independent of the journal entry process, and the review should be documented with the signature or initials of the reviewer and the date of the review.

City of Westfield

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

- (M) Payroll – Timesheets were maintained for all employees, however, hours worked were not reviewed and approved for three of the five timesheets observed. In addition, an independent review of wage and withholding rates entered into the spreadsheet was not performed and an independent person did not test wages and withholdings to ensure proper payroll calculations.

Recommendation – Timesheets of City employees should be reviewed and approved by supervisory personnel prior to the preparation of payroll. An independent person should periodically review wage and withholding rates entered in the spreadsheet to ensure proper payroll calculation. The independent review should be documented by the signature or initials of the reviewer and the date of the review.

- (N) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires 100% of LOST collections be allocated for capital improvements, infrastructure and community betterment. The City deposited the collections in the General Fund, so the City has not properly tracked the use and unspent balances of LOST collections to demonstrate compliance with the ballot requirements.

Recommendation – The City should establish procedures to track the use of LOST collections and unspent balances to ensure LOST collections are being used in accordance with the ballot.

City of Westfield

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Cole L. Hocker, CPA, Manager
Laurel P. Hoogensen, Senior Auditor
Amila Tursunovic, Staff Auditor