



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

October 4, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Benton, Iowa, for the period April 1, 2022 through March 31, 2023. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 9 of this report. The findings address issues such as a lack of segregation of duties, lack of independent review of bank reconciliations, lack of an accounting policies and procedures manual and disbursements exceeding budgeted amounts. 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](#).

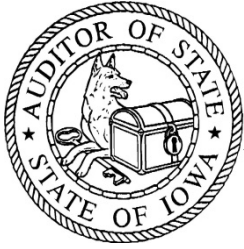
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CITY OF BENTON

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

FOR THE PERIOD
APRIL 1, 2022 THROUGH MARCH 31, 2023

City of Benton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834

August 31, 2024

Officials of the City of Benton
Benton, 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 Benton, Iowa, for the period April 1, 2022 through March 31, 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 Benton 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". The signature is stylized and cursive.

Rob Sand
Auditor of State

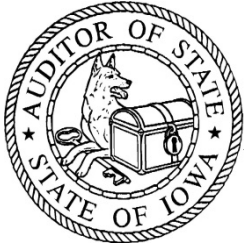
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City of Benton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Don Zollman	Mayor	Jan 2024	Jan 2026
Sharon Bowen	Council Member	Jan 2024	Jan 2026
Karyn Graham	Council Member	Jan 2024	Jan 2026
Daron Richie	Council Member	Jan 2024	Jan 2026
Mary Swank	City Clerk		Indefinite
Clinton Spurrier	Attorney		Indefinite



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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 Benton for the period April 1, 2022 through March 1, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Benton'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 Benton'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 2022 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
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. 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 Benton'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 Benton 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 Benton 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 31, 2024

Detailed Findings and Recommendations

City of Benton

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 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) Receipts – opening mail, recording, collecting, depositing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing, check writing and distributing.
- (5) Financial reporting – preparing and reviewing.

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) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published or posted within 15 days of the meeting, including total disbursements from each fund, a list of all claims allowed, including the reason for each claim, and a summary of receipts. Minutes for 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 publish or post City Council minutes including total disbursements from each fund and a summary of receipts, as required.

(C) Bank Reconciliations – The April 2022 bank reconciliation was reviewed by an independent person; however, it was not dated to document the timeliness of the review. The March 2023 bank reconciliation had no evidence of an independent review.

Recommendation – The City should establish procedures to ensure bank 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 signing or initialing and dating the monthly reconciliations.

(D) 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 provision of Chapter 12B.10B of the Code of Iowa. In addition, 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.

City of Benton

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 2023

- (E) Monthly City Clerk's Report – The monthly City Clerk's report presented to the City Council for approval does not include beginning and ending balances for each fund.

Recommendation – The City Clerk should prepare a monthly City Clerk's report which includes beginning and ending balances.

- (F) Disbursements – Three of 36 disbursements observed did not have adequate supporting documentation. In addition, the City did not account for the numerical sequence of checks issued and control was not maintained over the supply of voided checks.

Recommendation – The City should maintain adequate supporting documentation for all disbursements. In addition, the City should establish procedures to account for the numerical sequence of all checks issued and proper controls should be exercised over the supply of voided checks.

- (G) Payroll – The City Clerk's compensation was not properly approved by resolution in the City's minutes. In addition, no withholdings were made from the City Clerk's compensation; however, the City did pay the related IPERS contributions.

Recommendation – The City should establish and approve by resolution the City Clerk's compensation. The City should also consult legal counsel to ensure withholdings are handled properly for the City Clerk's compensation.

- (H) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety 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.

- (I) 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 staff.
- (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.

- (J) Chart of Accounts – The City did not utilize the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

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

City of Benton

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 2023

- (K) Local Option Sales Tax – The City's local option sales (LOST) ballot requires the LOST collections be allocated as 50% remitted to the County for the payment of bonds for County jail construction or any other jail related disbursements and 50% for any other legal purpose. The City has not properly tracked the use and unspent balances of LOST collections to demonstrate compliance with the ballot requirements. In addition, we could not recalculate amounts remitted to the County to determine compliance with the LOST ballot.

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

City of Benton

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Cole L. Hocker, CPA, Manager
Enoch Duval, Staff Auditor
Benjamin I. Manchester, Staff Auditor