



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

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NEWS RELEASE

Contact: Pam Bormann
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FOR RELEASE

November 13, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Monroe, Iowa, for the period July 1, 2023 through June 30, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 through eleven of this report. The findings address issues such as a lack of segregation of duties, the lack of ambulance reconciliations and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

Four 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 MONROE
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Monroe



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

October 28, 2024

Officials of the City of Monroe
Monroe, 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 Monroe, Iowa, for the period July 1, 2023 through June 30, 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 Monroe 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 Monroe

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Duinink	Mayor	Jan 2024
Stacie McCoy	Council Member	Jan 2024
Sean Wilson	Council Member	Jan 2024
Jean Goemaat	Council Member	Jan 2026
Jennifer St. Peter	Council Member	Jan 2026
Andrea Steenhoek	Council Member	Jan 2026
Kim Thomas	City Clerk/Treasurer	Indefinite
Gil Caldwell	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Duinink	Mayor	Jan 2026
Jean Goemaat	Council Member	Jan 2026
Jennifer St. Peter	Council Member	Jan 2026
Andrea Steenhoek	Council Member	Jan 2026
Andy Algreen	Council Member	Jan 2028
Earl Umble	Council Member	Jan 2028
Kim Thomas	City Clerk/Treasurer	Indefinite
Gil Caldwell	Attorney	Indefinite

City of Monroe



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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 Monroe for the period July 1, 2023 through June 30, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Monroe'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 Monroe'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 reflected 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. 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 Monroe'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 Monroe 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 Monroe 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

October 28, 2024

Detailed Findings and Recommendations

City of Monroe

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 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 – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – mail opening, collecting, recording, depositing, reconciling and maintaining accounts receivable records.
- (4) Long-term debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (7) Utilities – entering rates into the system, billing, collecting, depositing, recording, reconciling, posting and maintaining accounts receivable.

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) Reconciliation of Ambulance Billings, Collections and Delinquent Accounts – The City contracts with an outside entity for ambulance billings. Ambulance billings, collections and delinquent accounts were not reconciled by the City or the outside entity throughout the year and a delinquent listing was not prepared monthly. The City began reconciling ambulance billings June 2024; however, no evidence of review was available.

Recommendation – Procedures should be established to reconcile ambulance 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.

(C) Certified Budget – Disbursements during the year ended June 30, 2024, exceeded the amounts budgeted in the public works and community and economic development functions before the budget was amended on May 13, 2024. 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 Monroe

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

(D) Library Disbursements

- Credit Cards – The Library has credit cards with Casey’s, Visa, and Walmart. These cards are to be used by Library employees for Library business. We determined the following with regards to the credit cards:
 - For the two months observed, Library officials could only locate the credit card statements and some of the detailed supporting documents for the charges on the statements. Of the disbursements \$4,380 was billed and \$782 of the billed amount was unsupported.
 - Two instances of personal purchases made on the Visa Card totaling \$104. Library staff reimbursed personal purchases to City.
 - For the two months observed, sales tax totaling \$58 was paid. As a government entity, the Library maintains a tax-exempt status. As a result, the Library should not incur sales tax.
- 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:
 - Disney Plus – \$12
 - Walmart, wax warmer and wax melts – \$20
 - Bookwares, four T-shirts (Christmas and banned book script) – \$144
 - Dollar General, bath soap and lotion – \$7

According to the Attorney General’s 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 proper and an improper purpose is very thin.

Recommendation – Library officials should ensure all credit card purchases are supported by appropriate receipts and the receipts, invoices or other supporting documentation should be attached to the monthly credit card statement during reconciliation. In addition, a timely review of the credit card statements and supporting documentation should be conducted by an independent person and the signature or initials of the reviewer and the date of the review should be documented on the statement.

Library officials 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 Library should establish written policies and procedures, including the requirements for proper public purpose documentation.

City of Monroe

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (E) Bank Reconciliations – The IPAIT interest amounts of \$134 for December 2023 and \$132 for June 2024 were not properly recorded timely. Bank reconciliations also did not include petty cash of \$20. In addition, one of the two monthly bank reconciliations observed was not reviewed timely.

Recommendation – The City should establish procedures to ensure bank reconciliation variances, if any, are reviewed and resolved timely, including timely recording of interest. The petty cash amount should also be included in the bank reconciliation. 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.

- (F) Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa states in part, “a city shall publish an annual financial report as provided under Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures.” Beginning and ending fund balances did not agree to the general ledger at June 30 2023.

Recommendation – The City should establish procedures to ensure the amounts reported in the AFR are accurate and supported by the City’s 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.

City of Monroe

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Janet K. Mortvedt, CPA, Manager
Miranda L. Hoch, Staff Auditor
Patrick A. Stewart, Staff Auditor