



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Pam Bormann
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FOR RELEASE

December 9, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Wallingford, 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 sixteen 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 bank, utility and ambulance reconciliations, disbursements exceeding budgeted amounts and lack of timesheet approval. 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 WALLINGFORD

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

**FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024**

City of Wallingford



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

November 19, 2024

Officials of the City of Wallingford
Wallingford, 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 Wallingford, 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 Wallingford 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 Wallingford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jarrold Fischer	Mayor	Jan 2022	Jan 2026
Mary Moorman	Council Member	Jan 2022	Jan 2026
Brian Behrends	Council Member	Jan 2022	Jan 2026
Ryan Cellan	Council Member	Jan 2022	Jan 2026
Ron Sabby	Council Member	Jan 2022	Jan 2026
Connie Olson	Council Member	Jan 2022	Jan 2026
Shawna Anderson	City Clerk/Treasurer		Indefinite
Fitzgibbons Law Firm	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 Wallingford 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 Wallingford'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 Wallingford'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 2024 Annual Financial Report to determine whether it was completed timely and accurately reflected the City's financial information.
7. The City had no investments.
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 Wallingford'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 Wallingford 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 Wallingford 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

November 19, 2024

Detailed Findings and Recommendations

City of Wallingford

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) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, check signing, reconciling and recording.
- (4) Payroll – entering rates in the system, recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing, recording, reconciling, posting and maintaining accounts receivable.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.
- (8) Accounting system – performing all accounting functions.

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 – The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. A bank reconciliation for June 30, 2024 was performed by the auditor, however the bank cash report exceeded the bank reconciliation by \$2,202. In addition, an accurate detailed list of outstanding checks and deposits in transit was not prepared each month.

Recommendation – The City should take immediate steps to investigate and resolve the variance between bank and book balances and 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. In addition, an accurate detailed list of outstanding checks and deposits in transit should be prepared, maintained and reviewed each month. 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 on the monthly reconciliations.

(C) Receipts – The May 2024 property tax receipt of \$441 was recorded twice in the City's general ledger. In addition, in July 2023, the property taxes collected during the previous fiscal year were recorded again in the City's general ledger, resulting in overstating receipts by \$57,556.

Recommendation – The City should develop procedures to ensure all receipts are properly recorded in the City's general ledger. In addition, the City should make the necessary adjustments in the City's general ledger to eliminate duplicate transactions.

City of Wallingford

Detailed Findings and Recommendations

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

- (D) 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. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa, however, the maximum deposit amount stated in the resolution for one bank was exceeded at June 30, 2024.

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 – Prior to April 10, 2024, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. After April 10, 2024, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be delivered to a newspaper within fifteen days of the meeting, including total disbursement 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 ensure the minutes include total disbursements from each fund and a summary of receipts.

- (G) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public safety, capital projects 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 Wallingford

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 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. A payment to Tricia’s Flowers for the purchase of funeral flowers for \$59 was 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.

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 – For the thirty transactions observed, the following items were noted:

- Invoices and supporting documentation for two transactions observed could not be located totaling \$475.
- Sales tax was paid on one transaction observed for \$40. As a government entity, the City maintains a tax-exempt status. As a result, the City should not incur sales tax.

In addition, the Fire Department purchased supplies for \$29 from Amazon in June 2024 which was not recorded in the City’s general ledger.

Recommendation – The City should ensure all disbursements are properly supported by a vendor invoice or other supporting documentation. Invoices or other supporting documentation should be provided to the check signer and City Council for approval. The City should also establish procedures to ensure all payments are reviewed to prevent the payment of sales tax. In addition, the City should ensure all disbursements are properly recorded in the City’s general ledger.

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

City of Wallingford

Detailed Findings and Recommendations

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

- (K) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office but may be reimbursed for actual expenses incurred.”

An Attorney General’s opinion dated August 15, 2018, clarified Chapters 372.13(8) and 362.5 of the Code of Iowa and states, in part, “Iowa Code §372.13(8) (2018) bars city elected officers from receiving additional compensation for positions of employment beyond the salary received for their elected office. Iowa Code §362.5(3) (2018), providing exceptions to the general ban in that statute for city offices and employees having interests in contracts with the city do not allow city elected officers to receive additional compensation for positions of employment with their city beyond the salary provided for their elected office. That portion of prior formal opinion, Op. Atty. Gen. #93-8-2(L), finding that a city elected officer may serve as an employee of their city for additional pay if the compensation does not exceed annual cumulative amounts set under Iowa Code §362.5(3)(j) and (k) (2018), is retracted.”

During the year ended June 30, 2024, one City Council member was paid \$3,108 for water meter reading and updating banners in the City and another City Council member was paid \$728 for pop can labor and other miscellaneous work for the City. The compensation paid to both City Council members violates Chapter 372.13(8) of the Code of Iowa, which prohibits elected City officials from receiving compensation as a City employee.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including seeking reimbursement for the amounts improperly paid to the City Council members.

- (L) Financial Condition – The City disbursed funds out of the Special Revenue, Employee Benefit Fund during the fiscal year ending June 30, 2024. The City did not budget for an Employee Benefit levy so there were no property tax collected to pay for these costs. This resulted in a deficit balance in the Special Revenues, Employee Benefits Fund of \$1,330 at June 30, 2024.

Recommendation – The City should transfer funds from the General Fund into the Special Revenue, Employee Benefit Fund to eliminate this deficit.

- (M) 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 to the City, and all expenditures...” The following items were observed for the City’s fiscal year 2024 AFR:

- The beginning fund balances were overstated by \$1,603 compared to City records.
- Total receipts were overstated by \$161 compared to City records.
- The ending fund balances were overstated by \$1,764 compared to City records.

Recommendation – The City should establish procedures to ensure amounts reported are accurate and supported by the City’s records. An independent person should review the AFR for accuracy and document the review by the signature or initials of the reviewer and the date of the review.

City of Wallingford

Detailed Findings and Recommendations

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

- (N) 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 throughout the year by the City, or the outside entity, and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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.

- (O) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations, as required.

Recommendation – Outstanding obligations should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

- (P) Payroll – Timesheets were maintained for the City Clerk, however, there was no evidence of supervisory approval of hours worked. In addition, the hourly rate for the City Clerk was not approved by the City Council.

Recommendation – Procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review and approval should be documented by the supervisor's signature or initials and the date approved. In addition, all wage rates should be approved by the City Council and documented in the City Council meeting minutes.

City of Wallingford

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Katherine L. Rupp, CPA, Manager
Mackenzie L. Johnson, Senior Auditor
Amila Tursunovic, Staff Auditor