



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

April 25, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Ellston, 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 fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 10 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank reconciliations, disbursements exceeding budgeted amounts and monthly City Clerk's reports not being provided to the City Council. 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 ELLSTON
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Ellston



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Rob Sand
Auditor of State

February 13, 2025

Officials of the City of Ellston
Ellston, 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 Ellston, 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 Ellston 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 over a horizontal line.

Rob Sand
Auditor of State

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City of Ellston

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jennifer Creveling	Mayor	Mar 2024	Nov 2025
Janet Cordes	Council Member	Jan 2024	Jan 2026
Nancy Derscheid	Council Member	Jan 2024	Jan 2026
Curt Fry	Council Member	Jan 2024	Jan 2026
Matthew Weeda	Council Member	Jan 2024	Jan 2026
Vacant	Council Member		
Julie Derscheid	City Clerk/Treasurer		Indefinite
Perry A. Lawyer	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 Ellston 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 Ellston'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 Ellston'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. 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 Ellston'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 Ellston 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 Ellston 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
Deputy Auditor of State

February 13, 2025

Detailed Findings and Recommendations

City of Ellston

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 – investing, record keeping, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates in the system, record keeping, preparing and distributing.
- (6) Financial reporting – preparing and reconciling.

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) General Ledger and Bank Reconciliations – The City did not properly maintain a general ledger cash balance during the year; therefore, bank and investment account balances could not be reconciled during the year.

Recommendation – The City should ensure a general ledger of all cash balances is maintained. 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 on the monthly reconciliations.

- (C) Monthly City Clerk's Report – City Clerk's financial reports were not provided to the City Council monthly which would include beginning balances, receipts, disbursements and ending balances by fund and comparison of total disbursements for all funds to the certified budget by function.

Recommendation – The City Clerk should prepare monthly City Clerk's reports which include a summary of beginning balances, receipts, disbursements and ending balances by fund and provide to the City Council at the meetings. In addition, to provide better control over budgeted disbursements and the opportunity for timely budget amounts to the certified budget, the reports should include comparisons of total disbursements to the certified budget by function. The City Council or a designated member should review and approve the monthly City Clerk's reports, and the review/approval should be documented by the reviewer's signature or initials and the date approved.

City of Ellston

Detailed Findings and Recommendations

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

- (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 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.

- (E) Chart of Accounts – The City has not implemented the recommended 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.

- (F) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public works and community and economic development 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

- (G) Disbursements – For 30 disbursements observed, we noted the following:

- Six of the disbursements observed were not supported by adequate supporting documentation.
- Six of the disbursements observed were not approved by the City Council.
- Two of the disbursements observed included sales tax of \$399. As a governmental entity, the City maintains a tax-exempt status. As a result, they should not incur sales tax.
- Invoices were not cancelled to prevent reuse.

Recommendation – The City should establish procedures to ensure all disbursements are properly supported by an invoice or other supporting documentation, this documentation is maintained and all payments are approved by the City Council. In addition, the City should establish procedures to ensure all payments are reviewed to prevent the payment of sales tax and invoices should be cancelled to prevent reuse.

- (H) City Council Meeting Minutes – Chapter 21.3 of the Code of Iowa requires the minutes to show sufficient information to indicate the vote of each member present. In addition, Chapter 372.13(6) of the Code of Iowa requires the minutes to include the total disbursements from each fund. Minutes for all meetings observed did not include the required information.

Recommendation – City Council minutes should indicate the vote of each member and include the total disbursements for each fund, as required by the Code of Iowa.

City of Ellston

Detailed Findings and Recommendations

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

- (I) Investments – An accounting record/register was not maintained for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number. In addition, there was no reconciliation of investment earnings.

Recommendation – The City should maintain an accounting record/register for each investment including cost, description, date purchased, interest rate, maturity date and identifying number. In addition, a reconciliation of investment earnings should be performed monthly. This reconciliation should be reviewed by an independent person and should be documented by the signature or initials of the reviewer and the date of the review.

- (J) Surety Bond – The City did not have surety bond coverage as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should obtain surety bond coverage in order to comply with Chapter 64 of the Code of Iowa.

- (K) 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 in Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City did not submit the fiscal year 2023 AFR by December 1, 2023, as required.

Recommendation – The City should establish procedures to ensure the AFR is submitted by December 1, annually as required by Chapter 384.22 of the Code of Iowa.

- (L) Local Option Sales Tax – The City's local option sales tax (LOST) ballot requires 50% of LOST collections be allocated for payment of bonds for county jail construction or any other jail related disbursements and 50% for the general fund or any other legal purpose. The City has not properly tracked the use and unspent balance of LOST collections to demonstrate compliance with the ballot requirements.

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

- (M) Payroll – According to the City, the Mayor was to be paid \$20 per meeting attended and each City Council member was to be paid \$15 per meeting attended. The City did not maintain documentation of attendance to determine the correct pay to the Mayor and City Council members. In addition, the Mayor and City Council member compensation was not established and approved by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – The City should establish procedures to maintain documentation of attendance of the Mayor and City Council members to ensure the proper amounts are paid. In addition, the City should establish and approve the compensation for the Mayor and the City Council members by ordinance, as required.

- (N) Receipts and Deposits – Two of the 28 intergovernmental receipts observed were not deposited timely (within 30 days).

Recommendation – The City should establish procedures to ensure all collections are deposited in a timely manner.

City of Ellston

Detailed Findings and Recommendations

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

- (O) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (P) Unused Checks – The City did not maintain control over unused checks.

Recommendation – The City should store unused checks in a secure location at the City.

City of Ellston

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Cole L. Hocker, CPA, Director
Allison L. Carlon, Staff Auditor
Katherine A. Koele, Assistant Auditor