

NEWS RELEASE

Contact: Rachelle
Thompson
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FOR RELEASE _____

Rachelle K. Thompson, CPA today released an agreed-upon procedures report on the City of Strawberry Point, Iowa for the period July 1, 2020 through June 30, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

There were _____ findings reported related to the receipt and disbursement of taxpayer funds. They are found on pages __ through __ of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of utility billings, collections and delinquent accounts, disbursements exceeding budgeted amounts, and business transactions that may represent conflicts of interest. Recommendations are also provided to address each of the findings.

_____ 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 web site at <https://auditor.iowa.gov/audit-reports>.

CITY OF STRAWBERRY POINT
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021

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City of Strawberry Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hannah Evans	Mayor	Jan 2022
Burt Chapman (Resigned)	Council Member	Nov 2020
Jason Gearhart (Appointed Dec 2020)	Council Member	Jan 2022
Megan Hansel	Council Member	Jan 2024
Duane Johnson (Resigned)	Council Member	Dec 2020
David Gould (Appointed Aug 2020)	Council Member	Jan 2024
Dean Courtnage	Council Member	Jan 2024
Wally Rowcliffe	Council Member	Jan 2022
Ashley Jasper	City Clerk/Administrator	Indefinite
Susan Meyer	Treasurer	Indefinite
Patrick Dillon	Attorney	Indefinite

Certified Public Accountant

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council
City of Strawberry Point, Iowa

I performed the procedures below which were established at Iowa Code Chapter 11.6, to provide oversight of certain Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Strawberry Point for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Strawberry Point'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 Strawberry Point'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 recommendations. 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 I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I 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 and monthly financial reports provided to the City Council.
5. I 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 are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor and
Members of the City Council
City of Strawberry Point, Iowa

7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I 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. I 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. I 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. I 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. I traced selected receipts to accurate accounting and consistency with the recommended COA.
13. I traced voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. I 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. I traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

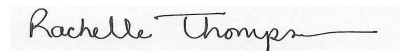
I was engaged by the City of Strawberry Point's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination 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

To the Honorable Mayor and
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City of Strawberry Point, Iowa

the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Strawberry Point and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to my 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.



Rachelle K. Thompson, CPA
Hampton, Iowa

February 8, 2022

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Detailed Findings and Recommendations

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City of Strawberry Point
Detailed Findings and Recommendations
For the period July 1, 2020 through June 30, 2021

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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, mailing, reconciling and recording.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing, posting, maintaining detailed accounts receivable and write-off records.
- (7) Financial reporting – preparing and reconciling.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.
- (9) Journal entries – preparing and recording.

Recommendation – I realize segregation of duties is difficult with a limited number of employees and it was noted the City has utilized elected officials to review bank reconciliations and journal entries. The City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

(B) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires cities 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 has several obligations which are older than two years.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required. It was noted outstanding obligations were submitted to the State after June 30, 2021, as required.

(C) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include a summary of all receipts. The minutes for two of the four meetings tested did not include a summary of receipts. It was noted the two meetings that did not include a summary of receipts were under the previous City Clerk.

Recommendation – The City should comply with the Code of Iowa and publish a summary of receipts in the City Council minutes, which appears is being done by the new City Clerk.

(D) 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 does not receive an image of the back of each cancelled check for its bank account.

**City of Strawberry Point
Detailed Findings and Recommendations
For the period July 1, 2020 through June 30, 2021**

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

- (E) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Megan Hansel, Council Member Granddaughter to Rodas Chevrolet owner	Service, repairs and new vehicles	\$96,686
Alan Wessel, Electric Utility Employee, owner of Wessels Electrical Service	Electrical services	19,157

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since transactions were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- (F) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has certified total TIF indebtedness of \$290,000 to the County Auditor, however, a total of \$901,165 of TIF debt has been reported on the Annual Urban Renewal Report. Therefore, it appears TIF indebtedness has been underreported to the County Auditor.

Recommendation – The City should investigate and determine the amount of TIF indebtedness and ensure the proper amount of debt is certified to the County Auditor.

- (G) Disbursements – Approval of payments is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation. There was also a fire department purchase for \$19,147 with no indication of council approval prior to the purchase. In accordance with the City’s purchase policy, any budgeted purchase over \$2,501, and any unbudgeted purchase, must have Council approval prior to the purchase being made, however the fire department was not specifically listed in the City’s purchase policy.

Recommendation – Payment approval should be documented by the signature or initials of the reviewer and the date of the review on the supporting documentation. In

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addition, the City should amend it's purchase policy to include all City departments and this policy should be followed.

- (H) Annual Financial Report – The LOST receipts reported on the 2021 Annual Financial Report were \$11,468 less than the total LOST receipts received.

Recommendation – Procedures should ensure that all amounts reported in the Annual Financial Report agree to the City's general ledger.

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