



**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 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

February 4, 2022

Contact: Brian Brustkern
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Massena, 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.

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, disbursements exceeding budgeted amounts, a deficit fund balance and transfers that were not approved by resolution. Sand provided the City with recommendations to address each of the findings.

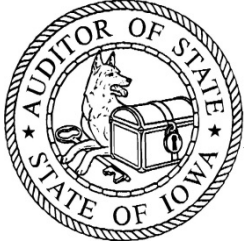
Eight of the thirteen findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in 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://www.auditor.iowa.gov/reports/file/67717/embed>.

###

CITY OF MASSENA
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021

City of Massena



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 Facsimile (515) 281-6518

January 7, 2022

Officials of the City of Massena
Massena, 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 Massena, 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 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 Massena 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

Table of Contents

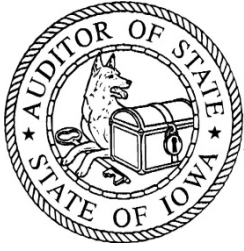
	<u>Page</u>
Officials	3
Auditor of State's Independent Report on Applying Agreed-Upon Procedures	5-7
Detailed Findings and Recommendations:	<u>Finding</u>
Segregation of Duties	A 9
Bank Reconciliation	B 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	C 9
Certified Budget	D 10
Deficit Fund Balance	E 10
City Council Meeting Minutes	F 10
Commercial/Industrial Replacement Tax	G 10
Interfund Transfers	H 10
Monthly Clerk's Report	I 11
Deposits	J 11
Annual Urban Renewal Report	K 11
Questionable Disbursement	L 11
Unclaimed Property	M 11
Staff	12

City of Massena

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2022
Jackson Bissell	Council Member	Jan 2022
Doug Venteicher	Council Member	Jan 2022
Micah Lee	Council Member	Jan 2024
Adam McCunn	Council Member	Jan 2024
Kevin McCunn	Council Member	Jan 2024
Shana Platt	City Clerk/Treasurer	Indefinite
Justin Hockenberry	City Attorney	Indefinite

City of Massena



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 Facsimile (515) 281-6518

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 Massena 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 Massena'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 Massena'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 are in place and incompatible duties, from a control standpoint, are 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 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 are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 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. 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 to accurate accounting and consistency with the recommended COA.
13. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Massena'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. 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 Massena 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 Massena 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.



Brian R. Brustkern, CPA
Director

January 7, 2021

Detailed Findings and Recommendations

City of Massena

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

(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) Debt – record keeping, compliance and debt payment processing.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – access to credit card, purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Financial reporting – preparing and reconciling.
- (8) Journal entries – preparing and recording.

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 Reconciliation – Although bank reconciliations were performed on a monthly basis for the year ended June 30, 2021, one of two months reviewed did not indicate evidence of an independent review.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year 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 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 and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Massena

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (D) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the public works, general government, and debt service functions by \$10,777, \$24,207 and \$1,499,896, respectively. 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.

- (E) Deficit Fund Balance – At June 30, 2021 the City had a deficit balance of \$22,541 in the Special Revenue, Road Use Tax fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and include total disbursements from each fund and a summary of all receipts. Published meeting minutes did not include total disbursements from each fund or a summary of all receipts. Also, three meetings observed were not published within fifteen days of the meeting.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes, including total disbursements from each fund and a summary of all receipts, within fifteen days of the meeting, as required.

- (G) Commercial/Industrial Replacement Tax – The City recorded commercial/industrial replacement tax as property tax rather than intergovernmental receipts per the Uniform Chart of Accounts (COA) recommended by the City Finance Committee.

Recommendation – The City should implement procedures to ensure all receipts are properly recorded.

- (H) Interfund Transfers – Section 545-2 of the Iowa Administrative Code City Finance Committee rules requires “A Fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.” During the period July 1, 2020 through June 30, 2021, three transfers totaling \$62,342 were not approved by resolution as required.

Recommendation – Interfund transfers should be approved by a resolution as required by Section 545-2 of the Iowa Administrative Code City Finance Committee Rules.

City of Massena

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (I) Monthly Clerk's Report – Monthly City Clerk's reports, including a summary of receipts, disbursements and beginning and ending balances by fund, were not prepared and provided to the City Council for review and approval. In addition, the City Council was not provided a monthly comparison of actual disbursements to the certified budget by function.

Recommendation – Monthly City Clerk's reports, including a summary of receipts, disbursements and beginning and ending balances by fund, should be prepared and provided to the City Council for approval. To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons of actual disbursements to the certified budget by function.

- (J) Deposits – Although, a resolution naming official depositories was adopted by the City Council, the maximum approved amount was exceeded by \$552,102 during the fiscal year.

Recommendation – 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.

- (K) Annual Urban Renewal Report – The City understated the amount reported as TIF debt outstanding on the fiscal year 2020 Annual Urban Renewal Report (AURR) Levy Authority Summary. A \$1,006,489 TIF bond was excluded from the AURR Levy Authority Summary. In addition, expenditures and the ending fund balance for the Special Revenue, Tax Increment Financing Fund did not agree to city records.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with City records.

- (L) Questionable Disbursement – 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 disbursement was noted 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.

\$936 was disbursed to the Iowa Alcoholic Beverage Division for a liquor license for a fund-raising event for the Massena Fire Department Foundation, a legally separate entity. The Massena Fire Department Foundation collected and retained all proceeds from the event.

Recommendation – The City should seek reimbursement from the Massena Fire Department Foundation in the amount of \$936.

- (M) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all 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 did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

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.

City of Massena

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Director
Ryan J. Pithan, CPA, Manager
Maria R. Collins, Staff Auditor
Kathryn L. Blumer, Staff Auditor