



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Rob Sand  
Auditor of State

NEWS RELEASE

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FOR RELEASE

May 9, 2023

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Auditor of State Rob Sand today released a reaudit report on the City of Eagle Grove (City) for the period July 1, 2020 through June 30, 2021. The reaudit was performed at the request of petitioners pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. The petition submitted to the Office of Auditor of State requested a reaudit of the year ended June 30, 2021. However, based on the nature of the concerns presented, the reaudit also covered items applicable to fiscal years 2019 through 2022.

The reaudit was requested as a result of concerns regarding the construction of the Eagle Grove Recreation Center; potential conflicts of interest with certain City employees; the City's bidding process and funding sources used for the construction of the Recreation Center, and the use of certain grant funds.

Sand reported the City did comply with Section 26.3 of the *Code of Iowa* "Competitive bids for public improvement contracts" for the construction of the new recreation center when it was awarded to Eagle Grove Recreation a nonprofit corporation. In addition, a City employee and a member of the Park and Recreation Board had a conflict of interest as the President and Secretary/Treasurer of Eagle Grove Recreation at the time the nonprofit corporation was created and began working with the City on the construction of the new recreation center. Sand also reported the City complied with the requirements for awarding Community Development Block Grants (CBDG) for the renovation of several buildings owned by the contractor awarded the grants.

The report includes recommendations to strengthen the City's internal controls and operations, such as improving bidding for construction projects, polices over conflict of interest and adequality documenting compliance with the States' Constitution when providing funding to a nonprofit entity.

While the reaudit procedures performed addressed the concerns presented, the reaudit procedures do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the financial statements of the City of Eagle Grove, other matters might have come to our attention that would have been reported to you.

A copy of the reaudit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

# # #

**CITY OF EAGLE GROVE**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**OF THE RECREATION CENTER**  
**FOR THE PERIOD**  
**JULY 1, 2020 THROUGH JUNE 30, 2022**

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**City of Eagle Grove**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b><u>Before January 2022</u></b>		
Sandy McGrath	Mayor	December 2021
Al Paperin	Council Member, Ward 1	December 2023
Matt Jergens	Council Member, Ward 2	December 2021
Chase Quintus	Council Member, Ward 3	December 2023
Sonya Middleton	Council Member, Ward 4	December 2021
Joshua Schild	Council Member, At Large	December 2021
Mike Weland	Council Member, At Large	December 2023

**After January 2022**

Sandy McGrath	Mayor	December 2023
Al Paperin	Council Member, Ward 1	December 2023
Matt Jergens	Council Member, Ward 2	December 2025
Dennis Vanderwater	Council Member, Ward 3	December 2023
Kelly Limerick	Council Member, Ward 4	December 2025
Matt Lorenzen	Council Member, At Large	December 2025
Mike Weland	Council Member, At Large	December 2023

**City Officials**

Bryce Davis	City Administrator/Clerk	Annual Appointment
Susan Maier	Finance Officer	Retired January 2023
Araceli Day	Deputy Clerk	Annual Appointment
Brett Legvold	City Attorney	Annual Appointment



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Auditor of State's Report on Reaudit

To the Members of the Eagle Grove City Council:

We received a request to perform a reaudit of the City of Eagle Grove in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2021 and the workpapers prepared by the City's Certified Public Accounting (CPA) firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the City. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City for the period July 1, 2020 through June 30, 2022.

Based on a review of relevant information and discussions with City officials and personnel, we performed the following procedures:

1. Obtained and reviewed the City Council minutes and any relevant information presented in the Council packets related to the Eagle Grove Recreation Center.
2. Examined bidding procedures followed for the Receptions Center to determine if City policies were properly followed.
3. Examined the City's conflict of interest policies to determine compliance with applicable Code requirements and determined compliance with the policy for certain individuals selected for testing.
4. Examined supporting documentation to determine the propriety of the payments made for the construction of the recreation center.
5. Determined if donations received by the City for the Recreation Center were turned over to a nonprofit copromotion in violation of the Constitution Article III, Section 31 states.
6. Examined bidding procedures for selected Community Development Block Grant (CDBG) projects to determine if City policies were properly followed and the City complied with federal CDBG bidding requirements.

Based on the procedures performed, the City did not comply with Section 26.23 of the *Code of Iowa* requiring competitive bidding for public improvement contracts. The procedures also identified a City employee and a member of the Parks' and Recreation Board have a conflict of interest with the Eagle Grove Recreation a nonprofit corporation. The report includes recommendations to help strengthen the district's policies and procedures.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the City, additional matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by the officials and personnel of the City during the course of the reaudit.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large, looped "R" and "S".

ROB SAND  
Auditor of State

April 17, 2023

**City of Eagle Grove**

City of Eagle Grove

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

**Background Information**

We received a citizens' petition to conduct a reaudit of the City of Eagle Grove for fiscal year 2021. The request specified the concerns listed in the next section of this report, including:

- Did the City follow proper bidding procedures for the construction of the Eagle Grove Recreation Center (Recreation Center),
- Did City employees have a conflict of interest related to the construction of the Recreation Center;
- Were donations made to the City, for the recreation center, subsequently provided to a nonprofit corporation, and
- Did the City comply with bidding requirements for selected Community Development Block Grant (CDBG) projects awarded to the City.

As a result of the request, we performed a review of the City's audit report and workpapers prepared by the CPA firm engaged by the City to determine whether a complete or partial reaudit of the District should be performed. No issues or noncompliance were noted in our review of the CPA's workpapers. However, based on additional information, we determined it was necessary to perform reaudit procedures for the concerns specified. The reaudit procedures were performed for the period July 1, 2020 through June 30, 2021 as applicable to each concern. However, based on the nature of the concerns presented, the reaudit procedures also covered items applicable to fiscal years 2019 through 2022

Based on the procedures performed, we identified instances of noncompliance related to specific concerns presented with the reaudit request. Information obtained while performing the procedures is included in the following section of this report along with the concerns provided to us. We have also provided recommendations to help strengthen the City's policies and procedures

While the reaudit procedures performed addressed the concerns presented, the reaudit procedures do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the financial statements of the City of Eagle Grove, other matters might have come to our attention that would have been reported to you.

**Concerns and Auditor's Responses**

- 1) **Conflict of Interest with City Employees** – Is there a conflict of interest when a City employee and a Council member also are owners of Eagle Grove Recreation. Eagle Grove Recreation was owned and operated by Bryce Davis, the City Administration, and Robert Torkelson, a member of the Parks and Recreation Board.

**Auditor's Response** – A conflict of interest occurs when there is a divergence between an individual's private personal relations or interests and his/her professional obligations such that an independent observer might reasonably question whether the individual's actions or decisions are compromised (or have the appearance of compromised) as a result of considerations of personal benefit, gain, or advantage. An actual or potential conflict of interest occurs when an individual is in a position to influence a decision that may result in a personal gain for that individual or for someone associated with the individual.



Based on the Articles of Incorporation filed with the Secretary of State (SOS), Bryce Davis was the registered agent, incorporator, and President of Eagle Grove Recreation and Robert Torkelson is listed as the Secretary / Treasurer of Eagle Grove Recreation. The Biennial Report dated July 28, 2021 also lists Bryce Davis as the President and Robert Torkelson as the Director. On April 29, 2020 a “Change of Registered Agent” form was filed with the SOS removing Bryce Davis as the registered agent.

Based on the information provided by Eagle Grove Recreation, there were no disbursements made to wither Bryce Davis or to Robert Torkelson.

Because Bryce Davis was the registered agent, incorporator, and President of Eagle Grove Recreation and Robert Torkelson is listed as the Secretary / Treasurer of Eagle Grove Recreation there is an appearance of a conflict of interest.

**Auditor’s Recommendation** – The City should develop policies and procedures to ensure employees and Council members disclose any potential conflict of interest. In addition, if there is a potential conflict of interest, the employee or Council member should abstain from actions related to the potential are of conflict.

**Response** – The City acknowledges the Auditor’s Recommendation and finding of the appearance of a conflict of interest based on the Auditor’s definition of an actual or potential conflict of interest occurring when an individual is in a position to influence a decision that may result in “**personal gain**” for that individual or someone associated with the individual. The City notes the Auditor’s finding that no disbursements were made to Bryce Davis or Robert Torkelson and that the Auditor made no finding regarding how Bryce Davis or Robert Torkelson would receive personal gain by virtue of the roles they occupied with Eagle Grove Recreation. The City requires the City Administrator to participate and represent the City’s interest in many organizations where City funds are provided. These organizations where the City Administrator is a member, like Eagle Grove Recreation, are public information. The City has policies and procedures to ensure employees, Council members, and other Board members disclose any potential conflict of interest. Eagle Grove Recreation’s participation was disclosed at public meetings and is evident in public documents as defined in this report. In addition, the City expects its representatives to represent the City’s interests and only abstain when the potential area of conflict may result in personal gain.

**Conclusion** – Response accepted.

- 2) **Recreation Center** – The City did not follow proper bidding requirements in awarding the contract for the Recreation Center to Eagle Grove Recreation, a nonprofit corporation.

**Auditor’s Response** – The Wellness Center is operated by the Rotary Club of Eagle Grove Home Inc. (Rotary Club). The City entered into negotiations with the Rotary Club to provide funding to expand the Wellness Center. However, the City and the Rotary Club were unable to come to an agreement.

The following is a timeline of the project to construct a new Recreation Center based on available minutes, discussions with City officials, and other information.

- On October 8, 2020 – Eagle Grove Recreation was incorporated as a nonprofit corporation. Based on the Articles of Incorporation filed with the Secretary of State (SOS) Bryce Davis was the registered agent, incorporator, and President of Eagle Grove Recreation and Robert Torkelson is listed as the Secretary / Treasurer of Eagle Grove Recreation. Bryce Davis is also the City Administrator and Robert Torkelson served as a member of the Park and Recreation Board. As an employee and a Board member, by creating s separate legal entity, which will receive funds from the City, it creates a conflict of interest.
- December 7, 2020 – The City issued a check for \$61,000 to Eagle Grove Recreation. Information provided by the City showed the check was issued for the “Wellness Center

Expansion.” We requested copies of any documents showing the City had issued an RFP for the construction of a new Center. The City was unable to provide any evidence the City issued an RFP for the construction of the new Center.

- January 18, 2021 – The City Council sets the date for a for public hearing on a proposal to enter into a General Obligation Annual Appropriation Urban General Loan Agreement for \$2,200,000.
- February 15, 2021 – The public hearing on the General Obligation Annual Appropriation Urban Loan Agreement of \$2,065,000 with Northland Securities, INC being the underwriter to finance the project is held.
- April 19, 2021 – The City approves Resolution 2021-20 approving the Bond Purchase Agreement for the Wellness Center Expansion project.
- May 17, 2021 – Eagle Grove Recreation submits a request for funds to the City Council in the amount of \$200,000 to begin hard construction. This request was approved by the City Council and the check was written out the same day.
- October 21, 2021 – The minutes show a Motion to approve agreement on Wellness Center Expansion Project. Motion fails. Motion to continue negotiating with Rotary Club of Eagle Grove and work in good faith to ensure an agreement is negotiated that the City Council can accept. Motion Passes.
- November 1, 2021 – The City issued a check for \$5,000.00 to Eagle Grove Recreations for Gold Eagle Co-Op Donation. This donation was originally given to the City by Gold Eagle Co-Op for the construction of the recreation center.
- February 7, 2022 – Per the minutes, the City approved a \$400,000 disbursement to Eagle Grove Recreation for construction.
- April 18, 2022 – Motion setting April 25, 2022 as public hearing to consider Land lease with Eagle Grove Recreation for the Eagle Grove Rec Center.
- April 25, 2022 – The City issued a \$700,000 disbursement to Eagle Grove Recreation for construction costs.
- April 25, 2022 – They City held a special meeting regarding Resolution 2022-54: A resolution Authorizing a Land Lease Agreement with Eagle Grove Recreation. A public hearing was held with oral comments received from the public. A resolution was passed to table Resolution 2022-54.
- May 16, 2022 – Resolution 2022-057: A resolution Authorizing a Land Lease Agreements with Eagle Grove Recreation was passed. The support attached to the resolution states “Resolution 2022-054 was passed and adopted on this 25<sup>th</sup> day of April 2022. According to the minutes, Resolution 2022-54 was tabled on April 25, 2022.

A copy of a “Resolution Authorizing a Land Lease Agreement with Eagle Grove Recreation” passed was signed by the Mayor on May 16, 2022 and by a representative of Eagle Grove Recreation on June 14, 2022.

Section one of the agreement states “Landlord agrees to lease to Tenant the portion of the Landlord Property that includes the building and parking are used by the Tenant to operate a recreation center, which shall not exceed that are depicted in the diagram attached as “Exhibit A” (the “Premises”) in accordance with the terms and conditions as stated herein.

Tenant may use the Premises to construct, maintain, and operate a recreation center for public benefit and or no other purpose.”

- April 26, 2022 – Bryce Davis resigned as a Board Member of Eagle Grove Recreation. The resignation was effective immediately.
- April 29, 2022 – “Change of Registered Agent” form is filed with the Secretary of State. The form removed Bryce Davis and replaced him with Philip M. Johnson as the Registered Agent for Eagle Grove Recreation.
- May 31, 2022 – The Office of Auditor of State issued a letter to the City of Eagle Grove informing them of the reaudit request.
- June 6, 2022 – Resolution 2022-02 is filed with the Secretary of State listing the President as Alyssa Dooley, Vice-President as Clark Morgan, and the Treasurer as Jared Carder.

*Iowa Code* section 26.3 “Competitive bids for public improvement contracts” in part states, “If the estimated total cost of a public improvement exceeds the competitive bid threshold of one hundred thousand dollars, or the adjusted competitive bid threshold established in section 314.1B, the governmental entity shall advertise for sealed bids for the proposed public improvement by posting a notice to bidders not less than thirteen and not more than forty-five days before the date for filing bids in a relevant contractor plan room service with statewide circulation, in a relevant construction lead generating service with statewide circulation, and on an internet site sponsored by either a governmental entity or a statewide association that represents the governmental entity.”

Based on a review of minutes and discussion with City officials, the City did not bid the construction of the new recreation center. In addition, the City did not have a contract with Eagle Grove Recreation for the construction of the recreation Center. The only agreement which exists is the “Land Lease Agreement.” As a result, the City did not comply with section 26.3 of the *Code of Iowa*.

In addition, in the case of *Gannon v. Bd. of Regents*, 692 N.W.2d 31 (Iowa 2005) an opinion was issued stating, “A government body may not delegate or “contract away” its duties or functions in order to avoid disclosure of what would otherwise be a public record.” Based on this ruling the City can not delegate its responsibility to bid out projects.

**Auditor’s Recommendation** – The City should develop policies and procedures to ensure compliance with section 26.3 of the *Code of Iowa*.

**Response** – The City acknowledges the Auditor’s Recommendation and finding that the City did not comply with Iowa Code §26.3; however, the City operated under the belief that Iowa Code §26.3 did not apply to this project due to the intent, structure, and financing mechanism used to provide an economic development grant to Eagle Grove Recreation. The intent was to provide a tax increment grant for economic development purposes to Eagle Grove Recreation for the construction of a rec center under the City’s Urban Renewal powers, which is a permissible use of City funds.

While the City believes it is a public benefit, the rec center is a pay-for-use facility similar to an aquatic center or daycare facility but differs from a library. Under Iowa Code Chapter 384, recreation centers may be a city enterprise, much like a utility or daycare, but are not required to be a city enterprise. In this case, the City has no interest in operating a rec center, which was clear in public documents. The City did not enter into a construction contract with Eagle Grove Recreation to ensure Eagle Grove Recreation had the ability to achieve its goals, promote the fact that this was not a City project, and to ensure the City wasn’t involved in the project except for providing an economic development grant and as lessor to a ground lease. The City executed a Resolution Authorizing a Development Agreement with Eagle Grove Recreation on June 6, 2022. The City recognizes that a Development Agreement should have been reviewed and considered prior to any disbursements and at the beginning of the project. The City changed its policies and procedures in

this regard. The grant provided to Eagle Grove Recreation accounts for less than 50% of the total cost to construct the rec center and other accessory needs like parking, equipment, and amenities. All decisions relating to construction of the rec center were made by Eagle Grove Recreation and not the City Council. The City engaged legal services to oversee the public hearings, urban renewal plans, amendments, annual appropriation loan agreements, and TIF ordinances, etc. to ensure proper protocol was followed for disbursements.

The Auditor cites *Gannon v. Bd. of Regents*, 692 N.W.2d 31 (Iowa 2005) for the proposition that a city cannot delegate its responsibility to bid projects under Iowa Code §26.3. The City believes that that the Auditor's reliance upon *Gannon* is misplaced. First, *Gannon* applied the Iowa Freedom of Information Act to a private non-profit corporation and not Iowa's competitive bid statute. The City is unaware of any legal authority applying *Gannon's* holding to Iowa's competitive bid statute, and the Auditor would have cited such authority if it existed. Second, *Gannon* hinged on the court's conclusion that the private, non-profit corporation in that case was performing a "very important, if not vital" government function – university fundraising and management – that is "an integral part" of the government entity's "continuing viability" and "indispensable." Here, while the City certainly believes that a rec center serves an economic development purpose as evidenced by its use of economic development powers to provide a grant, constructing and operating a rec center is not so vital a function of a municipality that it is an indispensable, integral part of a municipality's continuing viability. To that end, the City did not "contract away" a vital, indispensable, integral government function necessary for its continued viability. Rather, it provided an economic development grant and leased land to a private, non-profit corporation to allow that corporation to operate a rec center that the City desired to support just like many other economic development projects.

Notwithstanding the City's difference of opinion regarding the application of Iowa's competitive bid statute to this specific situation, the City will utilize this Audit Report as a guide for better practices moving forward.

**Conclusion** – Response acknowledged. *Gannon v. Board of Regents* stands for the proposition that government cannot evade its legal duties by outsourcing its operation. Whether or not operating a recreation facility is a "core government function," economic development certainly is, as is complying with public bidding laws. The Eagle situation is more akin to *Gannon* than the City suggests-- in *Gannon*, the Court found that "there is an elaborate contractual arrangement between the government body and a private organization, through which the private organization and the government enjoy a highly interwoven and symbiotic relationship. The Foundation is performing a government function in both a theoretical and a factual sense." The Rec Center also has a "highly interwoven and symbiotic relationship" with the city and is performing a function deemed critical by the city—as demonstrated by the substantial investment and involvement of city officials. Outsourcing the project to a private entity does not relieve the city of its essential duty to comply with competitive bidding laws.

- 3) **Propriety of Construction Payments** – Were the warrants/checks issued by the City to Eagle Grove Recreation Center, a nonprofit corporation, supported and necessary and reasonable for the construction of the recreation center.

**Auditor’s Response** – The City issued checks totaling \$1,703,585.13 related to the construction of the recreation Center for the period November 2020 through September 6, 2022. The **Table** below lists these payments.

<b>Date</b>	<b>Check Number</b>	<b>Payee</b>	<b>Check Amount</b>
11/16/20	46815	Sports Graphic	\$ 11,000.00
12/07/20	46842	Eagle Grove Recreation	61,000.00
03/01/21	47095	Sports Graphic	11,000.00
05/17/21	47302	Eagle Grove Recreation	200,000.00
06/07/21	47369	PFM Financial Advisors LLC	15,000.00
06/21/21	47415	General Fund	7,500.00
06/21/21	47410	Dorsey and Whitney ^	23,500.00
08/02/21	47521	Arends, Lee, Emick,Legvold ^	4,909.28
11/01/21	47756	Eagle Grove Recreation	5,000.00
02/07/22	48030	Arends, Lee, Emick,Legvold ^	1,966.00
02/07/22	48041	Eagle Grove Recreation	400,000.00
04/04/22	48187	Arends, Lee, Emick,Legvold ^^	3,160.95
04/18/22	48243	Eagle Grove Recreation	700,000.00
06/27/22	48444	Eagle Grove Recreation	15,150.00
09/06/22	48625	Eagle Grove Recreation	244,398.90
Total			<u>\$1,703,585.13</u>

^ - These disbursements only show the amount related to the Recreation Center. The actual checks were issued included payments for other services provide to the City.

The City of Eagle Grove has disbursed \$1,625,548.90 to Eagle Grove Recreation as of September 6, 2022. According to information provide by Eagle Grove Recreation, they have disbursed \$1,421,582.43. **Schedule 1** includes the deposits and expenses based on information provided by Eagle Grove Recreation.

The supporting documentation provided to the City by Eagle Grove Recreation to support the request for payments did not include any support for the actual amounts requested, but only a notation “Construction” on an invoice.

**Auditor’s Recommendation** – The City should develop policies and procedures to ensure adequate supporting documentation is provided and maintained for all payments made by the City. This should include detailed invoices or other documents clearly showing the items purchased or services provided. Contracts for construction should also include requirements for engineering and architect plans, detailed invoices including the cost of materials, supplies, labor, and other related costs.

**Response** – The City approves of the Auditor’s Recommendation and will develop policies and procedures for better practices when requesting supporting documentation.

**Conclusion** – Response accepted.

- 4) **Donations** – Donations made to the City for the Recreation Center were improperly turned over to Eagle Grove Recreation, a nonprofit corporation.

**Auditor's Response** – The donations made to the City for the recreation center were turned over to Eagle Grove Recreation a nonprofit corporation. The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private nonprofit corporation. Specifically, Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

The Iowa Attorney General has issued numerous opinions stating the same. However, there are two situations in which public funds may be provided to a nonprofit.

1. When the payment is for economic development purposes as outlined in Chapter 15A of the Code of Iowa, specifically Chapter 15A.1(1)(a), 15A.1(1)(b), and Chapter 15A.2.
2. When the government enters into a contract for services with the nonprofit.

The construction of a recreation center can be considered to help with economic development by helping to attract and retain jobs in the community. The City accepted donations for the recreation center to help provide funding for its construction and operations. During the December 7, 2020 City Council meeting, a motion was made and passed in public session approving providing donations to the Eagle Grove Recreation for the Wellness Center Expansion Project.

Because the City accepted donations for the recreation center, passed a motion in public session to provide donation to Eagle Grove Recreation for the Wellness Center Expansion Project, and the construction of the recreation center can be considered an economic development activity, it is possible the City is in compliance with Article III, Section 31 of the Iowa Constitution.

**Auditor's Recommendation** – When providing funding to a nonprofit, the City should work with legal counsel to ensure they are in compliance with the Iowa Constitution, Attorney General opinions and the Code of Iowa. The City should clearly document the public purpose during a meeting open to the public, and ensure an agreement or contract is entered into to ensure funds are used in accordance with the donors wishes or the reason for the City to solicit donations for a project.

**Response** – The City will review compliance requirements to ensure the Iowa Constitution, Code of Iowa, and opinions are being met. The City believes the documents provided during the public hearings and available to the public clearly showed the public purpose and how the funds were going to be utilized. The City will improve its policies relating to donors, receiving donations, and being a project specific fiscal agent for certain associations and non-profit organizations.

**Conclusion** – Response accepted.

- 5) **Compliance with CDGB Bidding Requirements** – The City did not follow City and CDBG bidding requirements in awarding CDBG projects to Torkelson Construction.

**Auditor's Response** – Based on documentation we reviewed, discussions with representatives from the Iowa Economic Development Authority (IEDA), and documentation provide by IEDA, the City properly awarded the contracts to Torkelson Construction. CDBG rules allow a City to forgo bidding for projects which are approved as part of CDBG grant(s), if the buildings are owned by the construction company and the project is for a second story renovation for low-income housing.

We observed documents provided by IEDA, which shows IEDA approved the CDBG project and funding being awarded to Torkelson Construction as allowed under the CDBG program requirements.

**Response** – No response required.

**City of Eagle Grove**

## **Schedule**



City of Eagle Grove

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

Account	Date Cleared	Check Date	Check	Payee / Description
xx05	10/09/20	NA	NA	NA
xx05	12/09/20	NA	NA	NA
xx05	01/04/21	12/29/20	99	Henning Companies
xx05	04/01/21	03/30/21	100	Henning Companies
xx05	05/18/21	NA	NA	BUSINESS TO BUSINESS ACH QUICKBOOKS
xx05	05/18/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	05/18/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	05/19/21	NA	NA	BUSINESS TO BUSINESS ACH INTUIT INC SOFTWARE
xx05	05/19/21	NA	NA	BUSINESS TO BUSINESS ACH INTUIT INC SOFTWARE
xx05	05/19/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	05/20/21	NA	NA	Eagle Grove Recreation
xx05	05/21/21	NA	NA	BUSINESS TO BUSINESS ACH IRS USATAXPMT
xx05	05/25/21	NA	NA	QUICKBOOKS VERIFYBANK
xx05	05/25/21	NA	NA	HARLAND CLARKE CHECK
xx05	05/26/21	NA	NA	BUSINESS TO BUSINESS ACH IRS USATAXPMT
xx05	06/03/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	06/04/21	06/02/21	1001	Henning Companies
xx05	06/08/21	NA	NA	MIDWEST INS CO WORKCOPM
xx05	06/09/21	NA	NA	BUSINESS TO BUSINESS ACH IRS USATAXPMT
xx05	06/18/21	NA	NA	BUSINESS TO BUSINESS ACH INTUIT INC SOFTWARE
xx05	06/22/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	06/25/21	NA	NA	BUSINESS TO BUSINESS ACH IRS USATAXPMT
xx05	07/08/21	07/07/21	1026	Henning Companies
xx05	07/14/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	07/19/21	NA	NA	BUSINESS TO BUSINESS ACH INTUIT INC SOFTWARE
xx05	08/02/21	07/09/21	1051	<b>REDACTED</b>
xx05	08/02/21	07/29/21	1052	<b>REDACTED</b>
xx05	08/04/21	NA	NA	BUSINESS TO BUSINESS ACH IRS USATAXPMT
xx05	08/17/21	NA	NA	BUSINESS TO BUSINESS ACH PAYROLL
xx05	08/18/21	NA	NA	BUSINESS TO BUSINESS ACH INTUIT INC SOFTWARE
xx05	08/20/21	NA	NA	Businesss To Business ACH IRS
xx05	08/30/21	NA	NA	Business To Business ACH Iowa Workforce
xx05	09/02/21	08/27/21	1053	Iowa Department of Revenue
xx05	09/08/21	NA	NA	Business to Business ACH Payroll
xx05	09/08/21	NA	NA	Business to Business ACH Payroll
xx05	09/10/21	NA	NA	Businesss To Business ACH IRS USATAXPYMT
xx05	09/15/21	NA	NA	Businesss To Business ACH IRS USATAXPYMT
xx05	09/20/21	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	10/18/21	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	10/19/21	NA	NA	Business to Business ACH Payroll Tax

Notation on memo line / supporting documentation / deposit slip	Deposits	Withdrawals
eDeposit Branch Store	\$ 25.00	-
eDeposit Branch Store	61,000.00	-
Pay App 1 #6768	-	25,000.00
Pay App #2	-	32,000.00
N/A	-	0.17
N/A	-	407.46
N/A	-	575.71
N/A	-	12.50
N/A	-	22.50
N/A	-	760.83
City of Eagle Grove check # 47302	200,000.00	-
N/A	-	187.57
N/A	0.17	-
N/A	-	76.86
N/A	-	180.12
N/A	-	760.83
Pay App #3	-	78,000.00
N/A	-	492.00
N/A	-	180.12
N/A	-	39.00
N/A	-	726.72
N/A	-	168.03
Pay App 4-Final	-	15,000.00
N/A	-	760.83
N/A	-	39.00
N/A	-	668.75
N/A	-	691.93
N/A	-	305.74
N/A	-	407.47
N/A	-	74.00
NA	-	68.84
NA	-	282.38
6-30-21 QTRY UTH TAP	-	117.13
NA	-	760.83
NA	-	760.83
NA	-	180.12
NA	-	180.12
NA	-	74.00
NA	-	74.00
NA	-	137.03

City of Eagle Grove

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

Account	Date Cleared	Check Date	Check	Payee / Description
xx05	11/18/21	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	12/20/21	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	01/18/22	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	02/18/22	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	03/18/22	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
xx05	04/18/22	NA	NA	Business To Businesss ACH 180041 Intuit QuickBooks
	Subtotal			
xxxx32	11/01/21	NA	NA	DEPOSIT
xxxx32	11/01/21	NA	NA	DEPOSIT
xxxx32	11/02/21	NA	NA	DEPOSIT
xxxx32	11/17/21	NA	NA	DEPOSIT
xxxx32	11/18/21	11/17/21	1997	<b>REDACTED</b>
xxxx32	02/08/22	NA	NA	DEPOSIT
xxxx32	02/16/22	02/15/22	1998	K&K Construction LLC dba Equipmco
xxxx32	03/07/22	03/03/22	1999	Iowa Dept of Revenue
xxxx32	04/15/22	04/13/22	2001	Menards
xxxx32	04/19/22	NA	NA	DEPOSIT
xxxx32	04/20/22	NA	NA	USER FEE FORM 1023-EZ
xxxx32	04/20/22	04/19/22	2003	K&K Construction
xxxx32	04/21/22	04/15/22	2002	IDNR
xxxx32	04/27/22	04/21/22	2004	Town & Country Insurance
xxxx32	05/05/22	NA	NA	DEPOSIT
xxxx32	05/06/22	NA	NA	DEPOSIT
xxxx32	07/20/22	07/19/22	2005	Sadler Construction
xxxx32	07/26/22	07/19/22	2006	MidAmerican Publishing
xxxx32	07/29/22	07/19/22	2007	H2I Group
xxxx32	08/03/22	NA	NA	City of Eagle Grove
xxxx32	08/31/22	08/29/22	2008	K&K Construction
xxxx32	09/14/22	NA	NA	City of Eagle Grove
xxxx32	09/21/22	09/14/22	2009	Central Iowa Dirt & Demo
xxxx32	09/22/22	09/14/22	2010	Eagle Trenching

**REDACTED** - The name was redacted. However, these checks were not issued to Bryce Davis or Mr. Torkelson.

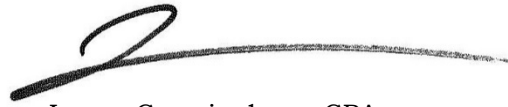
Notation on memo line / supporting documentation / deposit slip	Deposits	Withdrawals
NA	-	74.00
NA	-	74.00
NA	-	74.00
NA	-	74.00
NA	-	74.00
NA	-	74.00
	0.17	-
	261,025.34	160,617.42
<i>Cash</i>	33.00	-
<i>Russell Sunshine D&amp;D</i>	1,168.00	-
<i>City of Egel Grove</i>	5,000.00	-
<i>First bank 2020 and 2021 Donation</i>	8,000.00	-
Request for Donations Returned	-	10,000.00
<i>City of Egel Grove</i>	400,000.00	-
Draw Request #2	-	335,863.40
IDR Sales Tax	-	6,708.00
NA	-	465.88
<i>City of Egel Grove</i>	700,000.00	-
NA	-	275.00
INV 6366 - Rec Center	-	626,264.00
1yr SWPP GP fee	-	175.00
Builders Risk	-	3,671.00
TSF from Wells Fargo	100,407.75	-
Youth Wrestling donation	250.00	-
Disconnect Shed/park	-	440.00
noi - 4/14/22 #0414222302	-	22.83
50% Deposit	-	41,350.00
NA	15,150.00	-
Inv 6489	-	179,297.40
NA	244,398.90	-
Inv 1254	-	46,312.50
1/2 of inv 904	-	10,120.00
	1,474,407.65	1,260,965.01
	\$ 1,735,432.99	1,421,582.43

City of Eagle Grove

Staff

This reaudit was performed by:

Gono Quaye, Assistant Auditor

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a long, horizontal, slightly wavy line that tapers to the right.

James Cunningham, CPA  
Deputy Auditor of State