



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
515/281-5835
Or Jim Cunningham
515/281-5834

FOR RELEASE

July 26, 2023

Auditor of State Rob Sand today released a reaudit report on the City of Leon for the period July 1, 2019 through June 30, 2021. The reaudit petition was submitted to the Office of Auditor of State pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. However, based on the nature of the concerns presented, certain reaudit covered items applicable to the period July 1, 2019 through June 30, 2021.

The reaudit was requested due to concerns regarding the propriety of certain financial transactions, including those related to transfers to the police department, the use of City credit cards, operations of park and recreation concessions, reimbursements for water meter damages, use of American Rescue Plan Act (ARPA) funds, receipts from townships for the fire department and fire department disbursements, mowing activity at City cemetery, maintenance of City roads, oversight for payroll transactions, personality tests for potential police officers, and use of Local Option Sales Tax receipts in accordance with ballot.

Sand reported actual disbursements exceeded budgeted disbursements prior to the budget being amended. Sand also reported expenditures are not in compliance with the City purchasing policy.

The City responded favorably to the recommendations included in the reaudit report. 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 LEON
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2021

Table of Contents

	<u>Page</u>
Officials	3
Auditor of State's Report on Reaudit	4-5
Background Information	6-7
Detailed Findings	7-10
Staff	11

City of Leon

Officials

(Before Fiscal Year 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Weir	Mayor	Jan 2024
Jonathan Erb	Council Member/Mayor Pro Tem	Jan 2022
Sue Kelly	Council Member	Jan 2022
Keith Hinds	Council Member	Jan 2022
Cody Cooper	Council Member	Jan 2024
Dan Moffet	Council Member	Jan 2024
Denise Simmons	City Administrator / Clerk	Aug 2021
Eddie Fishman	Attorney	Indefinite

(Before Fiscal Year 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Weir	Mayor	Jan 2024
Jonathan Erb	Council Member/Mayor Pro Tem	Jan 2022
Sue Kelly	Council Member	Jan 2022
Keith Hinds	Council Member	Jan 2022
Cody Cooper	Council Member	Jan 2024
Dan Moffet	Council Member	Jan 2024
Denise Simmons	City Administrator/Clerk	Aug 2021
Kyle Sheetz (Hired Aug 2021)	City Administrator/Clerk	Indefinite
Eddie Fishman	Attorney	Indefinite



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 Report on Reaudit

To the Honorable Mayor and
Members of the City Council:

We received a request to perform a reaudit of the City of Leon (City) in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result, we performed a review of the agreed-upon procedures examination report for the year ended June 30, 2021 and the workpapers prepared by the City's Certified Public Accounting firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the agreed-upon procedures examination 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, 2019 through June 30, 2021.

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

1. Reviewed the fiscal years 2020 and 2021 budgets to determine if the budget was properly amended prior to disbursement exceeding the original budget and that public hearings were held in accordance with the *Code of Iowa*.
2. Reviewed uniform and vehicle purchases in the Police Department for propriety, agreement with City policies and procedures, proper approval and public purpose.
3. Reviewed stipends issued to City employees to determine propriety, proper approval and are in compliance with City policies.
4. Reviewed credit card payments for support and compliance with the city's credit card policy.
5. Reviewed disbursements for concessions for the swimming pool and soccer fields and determined if concession sales recorded or deposited are appropriate for the amount of concessions purchased or the events held by the City.
6. Reviewed compensation to Dustin Thompson to determine if there are violations of FLSA or EOE rules or regulations.
7. Reviewed stipends or payments to the Police Chief and determined if the payments are an appropriate use of City funds.
8. Reviewed reimbursements for water line damage and determined if the reimbursement was handled appropriately.
9. Reviewed CARES/ARPA funds received and disbursed to determine compliance with the required uses of funds.
10. Reviewed Fire Department receipts from townships to determine if they are complete, and Fire Department disbursements for propriety and support.
11. Reviewed Expendable Trust Cemetery Fund receipts to determine receipts were properly used for veteran's memorial gazebo repairs as required by State of Iowa restitution court order and were properly supported.

12. Obtained and reviewed City Administrator's employment contracts for proper approval.
13. Obtained City snow ordinance and determined if the City had policies for removal of snow and determine whether any independent contractors were hired to assist City employees with removal of snow.
14. Reviewed Road Use Tax Fund receipt to ensure receipts were properly recorded and disbursements for compliance with policies and procedures for road clearing.
15. Reviewed disbursements to Minnesota Multiphasic Personality Inventory (MMPI) to determine whether multiple payments were made for the tests.

Based on the performance of these procedures, we determined actual expenditures exceeded budget prior to amendment and at year end in selected functions. Based on available documentation, we cannot determine if the City Council approved the invoices prior to payment. There is no indication of City Council signature or initials on a claims listing. The noncompliance with budget provisions and the inadequate approval of purchases are described in the Detailed Findings of this report along with our recommendations. Unless reported in the Detailed Findings, items of non-compliance were not identified during the during the performance of the specific procedures listed above.

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.



ROB SAND
Auditor of State

June 30, 2023

City of Leon

For the Period July 1, 2019 through June 30, 2021

Background Information

We received a citizen's petition to conduct a reaudit of the City of Leon for fiscal years 2020 and 2021. The request detailed specific concerns, including:

- approval of fund transfer,
- the use of City credit card,
- reasonableness of concession purchases for fiscal years 2020 and 2021 during COVID,
- City Administrator paid the water bill and purchased a family pool pass for City employee Dustin Thompson for mowing city property,
- vehicle purchase for Chief John Thomas,
- City Administrator reimbursement to a private citizen for Water line damage during the installation of a new meter,
- the use of CARES and ARPA funds received by the City,
- the Fire department account balance,
- Employee uniform and stipends to employees,
- cemetery account balance,
- the City Administrator's contract approval,
- City streets are not graded, and work order is needed to have snow removed,
- City Administrator and Deputy City Clerk oversee payroll with no independent review,
- MMPI test administered by Interim Chief Thomas,
- and the use of Local Option Sales Tax receipts.

As a result of the request, we performed a review of the City's agreed-upon procedures examination report and workpapers prepared by the City's independent auditors to determine whether a complete or partial reaudit of the City should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for all but the review of payroll which was sufficiently reviewed by the City's independent auditors. Further procedures were not warranted for the Local Option Sales Tax receipts because the use of funds was tested during the City's independent agreed-upon procedures examination as transfers to the General Fund for acquisition, demolition and restoration of dangerous and dilapidated properties and transfers to the Special Revenue, Street Fund for construction and maintenance of street improvements.

Except as included in this report, no additional findings were identified related to the specific concerns presented with the reaudit request. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had we

performed additional procedures, additional matters might have been identified and included in this report.

Information obtained while performing the procedures is included in the following section of this report along with the concerns provided to us. Some of the concerns and findings include recommendations to City officials for corrective actions and/or improvements and their responses. Other concerns did not require recommendations to or responses from City officials based on our findings. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had we performed additional procedures, additional matters might have been identified and included in this report.

Detailed Findings and Additional Information

Regarding Concerns Presented in Petition

- (A) Use of Credit Cards – The citizen concern questioned the use of the City credit card without providing receipts to the city.

Auditor’s Response – We reviewed credit card payments for support and compliance with the credit card policy. The policy requires department heads to approve all purchases up \$500 and the City administrator approval is required for all purchases from \$500 to \$1,000 prior to card use. Original itemized receipts are required to validate expenses on the city credit card.

We selected 5 credit card expenditures for testing. For the items tested, original itemized receipts were attached to the credit card statement however, auditors were not able to determine if department heads or the City administrator approved the credit card expenditures.

Recommendation – The City should ensure all credit card purchases are approved according to the City policy.

Response – The City will ensure to follow the City’s policy regarding approval for all purchases, including credit card purchases.

Conclusion – Response accepted.

- (B) Fund Transfer – The petition questioned fund transfers made by the City Administrator. The concern indicated instances when the City Administrator made transfers without City Council approval.

Auditor’s Response – We reviewed the City Council minutes and recorded transfers during fiscal year 2020 and 2021 to determine if the transfers were approved in the City Council minutes.

Section 545-2 of the 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. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

- One transfer in fiscal year 2020 was not approved by the City Council. Also, two additional transfers in fiscal year 2021 did not have a purpose of the transfer stated in the resolution.

Recommendation – The City should ensure all transfers are properly approved in accordance with the City Finance Committee Rules.

Response – All transfers in FY21, FY22 and FY23 have been approved by resolution, approved by the Leon City Council, and appeared in the council minutes. This process will continue in future fiscal years.

Conclusion – Response accepted.

- (C) Budget – The petition included concerns over statements made by the City Administrator stating, “funds were extremely low in the police department”.

Auditor’s Response - We reviewed the fiscal year 2020 and 2021 budget to determine whether expenses exceeded budget prior to amendment and whether proper procedures were followed.

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.”

As a result of our review, we determined the followings:

- Disbursements during the year ended June 30, 2020, exceeded the amounts budgeted prior to amendment and at year-end for the public safety, and general government functions. Also, actual disbursements exceeded the budget prior to amendment for the community and economic development function.
- Disbursements during the year ended June 30, 2021, exceeded the amounts budgeted prior to amendment for the community and economic development function. In addition, actual disbursements exceeded the budget at year-end for public safety, culture and recreation, and general government functions.

Recommendation – The budget should have been properly amended as required by Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budgeted amounts.

Response – The City will be sure to amend the budget prior to exceeding the budget.

Conclusion – Response accepted.

- (D) Employee Uniform and Stipend – The petition questioned the amount provided to the Police Department for Uniform purchase and stipend payments to City employees.

Auditor’s Response – We inquired of City personnel regarding whether the City has a policy for uniform purchases. We were informed the City does not have a uniform policy. We reviewed City purchases for uniforms during July 2019 through June 2021.

The City’s purchasing policy requires purchases for \$500 or more to be approved by the City Council, except purchases relating to routines supplies, contracts and pre-approved bills. In addition, the purchase of any products or material with a cumulative value in excess of \$500 but less than \$5,000 shall require at least three quotations, and/or approval of the City Council. When only one quote is used, an explanation shall be included as to why only one quote was obtained. We were unable to determine City Council’s approval for uniform purchases.

In addition, we reviewed the City’s ledger for stipend payments to employees. During the period under review the only payment we identified was a payment to an employee for cleaning services provided to the City. The cleaning services were not supported by an invoice, and we were unable to determine City Council’s approval of these payments. These payments were made through claims process and not paid through payroll.

Recommendation – The City should ensure to follow the purchasing policy and properly document the City Council’s approval of disbursements. The City should develop a uniform purchase policy which includes frequency and amount allowed annually. All disbursements should be supported by an invoice which is approved by the City Council.

Response – Concerns which do not require recommendations or City’s responses:

- (E) Cemetery Account Balance – The citizen’s concern questioned the balance of the City of Leon Cemetery fund balance. On August 18, 2019, the Veteran’s Memorial at the City cemetery was vandalized. Donations amounting to approximately \$24,000 were collected in addition to restitution, insurance reimbursement and grant money.

Auditor’s Response – We reviewed the City’s ledgers to determine that vandalism donations, restitution and insurance have been properly segregated for payment repairs to the gazebo. We identified the City recorded donations of approximately \$20,000 and the insurance reimbursement of approximately \$4,000 in the Cemetery department account. The restitution of \$1,000 was recorded under the Police Department. The City used the receipts to purchase a new gazebo. The total cost of the new gazebo was approximately \$40,300.

- (F) Concession Purchases – The citizen’s concern questioned the concessions purchases made during fiscal years 2020 and 2021.

Auditor’s Response – We reviewed concession purchases and concessions sales to determine if sales collected were appropriate for the amount of concessions purchased. Concessions purchases were for the Decatur public school fields and swimming pool. The City’s Facebook page indicated that the swimming pool was open in summer of 2019, closed the summer of 2020 and open the summer of 2021.

For the fiscal year ended June 30, 2020, the City had an excess of concession receipts of \$375 over expenses. For the year ended June 30, 2021, the City had an excess of \$1,991.

- (G) City Administrator’s Personal Payment to a City Employee – The citizen’s concern questioned the City Administrator paying a City employee’s water bill and providing them a pool pass in exchange for mowing the recreation parks.

Auditor’s Response – We reviewed utility billing for July 1, 2019, through June 30, 2021. The employee was billed monthly and the amount due was paid without any adjustments to billed amount. We reviewed City ledgers and noted no other payment to the employee besides his salary. The employee did not have a pool pass during the period of review.

- (H) Vehicle Purchase – The citizen’s concern stated the City paid a stipend to the Interim Police Chief to purchase a personal vehicle through State bid access.

Auditor’s Response – We reviewed City ledgers for payments to Karl Chevrolet. During fiscal year 2020, the City purchased a Chevrolet Silverado with the USDA grant for the police department. We observed the title to the vehicle which is in the City’s name and the vehicle is in the possession of the City.

Auditors noted no other payments to Karl Chevrolet and no stipend payments to the Interim Police Chief.

- (I) CARES Act/American Rescue Plan Act (ARPA) Funds – The petition questioned the use of COVID-related grants received by the City.

Auditor’s Response – We reviewed the City’s general ledger to determine if funds have been spent or obligated and determined compliance with the required use of fund. The City received

\$43,326 for CARES Act grant as a reimbursement for Police Department salary expenses. The request submitted is properly supported. In August 2021, the City received \$135,835 in ARPA funds. The City Council approved the use of all ARPA funds to offset the cost of the sewer lining project which is an allowable use of ARPA funds.

As of October 7, 2022, the City has not started the project.

- (J) Fire Department – The citizen’s concern questioned the City Administrator stating the cash fund balance of the Leon Fire Department was “low”.

Auditor’s Response – We reviewed the City ledgers for receipts and selected disbursements for testing. All transactions are properly supported and meet the test of public purpose. The fire department has no separate fund and activity is reported within the General Fund.

- (K) City Administrator Contractor – The petition questioned whether the terms of the City Administrator’s contract were revised without City Council approval.

Auditor’s Response – We reviewed the City Administrator’s contract and reviewed the terms of the contract for reasonableness and public purpose and found no violation. The contract renewal was approved by the City Council on November 12, 2019.

- (L) Snow Removal and Street Maintenance – The petition questioned the City’s maintenance of the City roads. City roads have not been graded in years and citizens must put in a work order to have the snow removed from the street.

Auditor’s Response – We reviewed the listing of receipts and disbursements in the Special Revenue, Road Use Tax Fund to determine if anything appeared out of compliance for the use and receipt of the maintenance and construction of City’s roads. We noted nothing that appeared out of the ordinary or noncompliance.

We reviewed payments the City incurred for snow removal and reviewed the weather for snowfall that occurred on those days. The days of payment to independent contractors corresponded to snowfall that occurred in the City. The City has no policies or procedures regarding the number of inches of snowfall that require snow removal. Additionally, we discussed with the City Administrator regarding whether work orders are needed for snow removal. The City Administrator stated that while a work order identifies the need for snow clearing, it is not required to have snow cleared. The work order system allows a citizen to communicate the need without tying up phone calls to city hall.

- (M) MMPI Test – The petition questioned the City paying MMPI twice for the same test for two officers. The test was first administered by the Interim Police Chief who was not a proctor for the State. The officers had to take it a second time at Iowa Law Enforcement Academy (ILEA).

Auditor’s Response – We reviewed payments for testing and training and registration. No duplicate payments for testing were noted. No payments to the Interim Police Chief were noted.

- (N) Water Line Damage – The petition questioned the City administrator reimbursing a private citizen from a personal checking account for a water line that was damaged during the installation of a new meter.

Auditor’s Response – We reviewed the City ledgers for payments to the private citizen. We noted no payments from the City to the private citizen for reimbursement of costs to repair water meter and line. We contacted the citizen to inquire how they were reimbursed for the repair costs. The private citizen stated the reimbursement was from the former City Administrator’s private checking account. This cost would have been an appropriate disbursement of the City’s but there is no error in the former City Administrator paying the costs privately.

City of Leon

Staff

This reaudit was performed by:

Katherine L. Rupp, CPA, Manager
Adjoa S. Adanledji, CPA, Senior Auditor II

A handwritten signature in black ink, appearing to read 'James S. Cunningham', with a long horizontal flourish extending to the right.

James S. Cunningham, CPA
Deputy Auditor of State