



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
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FOR RELEASE October 2, 2024

Auditor of State Rob Sand today released a reaudit report on Kossuth County for the period July 1, 2019 through June 30, 2020. 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, 2020.

The reaudit was requested as a result of concerns regarding the Kossuth County Board of Supervisors functions as a drainage district trustee.

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

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KOSSUTH COUNTY
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020

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Kossuth County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Plathe	Board of Supervisors	Jan 2021
Roger Tjarks	Board of Supervisors	Jan 2021
Galen Casey	Board of Supervisors	Jan 2023
Donnie Loss	Board of Supervisors	Jan 2023
Kyle Stecker	Board of Supervisors	Jan 2023
Amber Garman	County Auditor	Jan 2021
Nicholas P. Rahm	County Treasurer	Jan 2023
Karen Benschoter	County Recorder	Jan 2023
Steve Kollasch	County Sheriff	Jan 2021
Todd Holmes	County Attorney	Jan 2023
Judy Samp	County Assessor	Appointed



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Auditor of State's Report on Reaudit

To the Officials of Kossuth County:

We received a request to perform a reaudit of Kossuth County and Kossuth County's Board of Supervisor function as drainage district trustees 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, 2020 and the workpapers prepared by the County'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 annual audit of the County. 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 County for the period July 1, 2019 through June 30, 2020.

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

1. Obtained and reviewed policies and procedures for authorizing drainage district repairs and improvements.
2. Obtained and reviewed policies and procedures for drainage district disbursements, assessments and record keeping.
3. Obtained and reviewed policies and procedures related to change orders to drainage district projects.
4. Examined selected drainage district projects for compliance with Chapter 468.126 of the Code of Iowa.
5. Reviewed bidding procedures for certain projects to ensure to determine if County policies were properly followed.
6. Examined selected drainage district projects to determine the work done on the drainage district was recorded to the proper drainage district and work done on the drainage districts were properly assessed to the correct drainage district.
7. Examined selected drainage district expenditures to determine they were properly supported and supporting documentation was mathematically correct and reasonable.
8. Obtained and reviewed a listing of FEMA projects related to Kossuth County drainage districts.
9. Inquired with FEMA representatives into their special investigation of Kossuth County.
10. Examined selected expenditures submitted for FEMA reimbursement for proper approval, support and allowability.
11. Obtained and reviewed related party transactions between County Officials and drainage district contractors and compliance with chapter 331.342 of the Code of Iowa.

Based on the performance of these procedures, we determined no items of non-compliance were identified during the performance of the specific procedures listed above.

No items of non-compliance were identified 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 County, 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 County 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

August 30, 2024

Kossuth County

Kossuth County Reaudit

Background, Concerns and Responses

Background Information

We received a citizen's petition to conduct a reaudit of Kossuth County and Kossuth County Board's function as a drainage district Trustee for fiscal year 2020. The request detailed specific concerns, including:

- Related business transactions between the County and County officials,
- authorizing drainage district repairs and improvements,
- policies and procedures over drainage district disbursements, assessment and record keeping,
- the County's bidding process for drainage district repair and improvement projects,
- drainage district expenses being assessed to landowners while also being reimbursed by Federal Emergency Management Act (FEMA).

As a result of the request, we performed a review of the County's audit report and workpapers prepared by the CPA firm engaged by the County to determine whether a complete or partial reaudit of the County should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for all concerns.

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.

Concerns and Auditor's Responses

- 1) **Related business transactions between the County and County officials** – Petitioners were concerned that work was being awarded to Laubenthal Excavating because of a personal relationship between Board of Supervisor member Kyle Stecker and the Laubenthal family.

Auditor's Response – Chapter 331.342 of the Code of Iowa addresses conflicts of interest in public contracts.

We interviewed all parties involved in the allegation. Kyle Stecker hires Charlie Laubenthal, father to Zachary Laubenthal, to custom farm Kyle's farm ground. Charlie is not an owner of Laubenthal Construction, nor does he profit in any way from the operations of Laubenthal Construction. This relationship was disclosed to the County's auditing firm, Gardiner and Thompson. Per discussion with Kyle Stecker and Zachary Laubenthal, Owner of Laubenthal Construction, Kyle has never worked for or been compensated by Laubenthal Construction. In addition, repair and improvement projects were properly bid and awarded to the company.

Auditor's Recommendation – No response required.

- 2) **Authorizing Drainage District repairs and improvements** – Petitioners were concerned about the approval process for drainage district repairs and improvements and alleged that the board divided proposed repairs and improvements into separate programs in order to avoid notice and hearing requirements.

Auditor's Response – Chapter 468.126 of the Code of Iowa addresses repairs and improvement requirements and authorization for Drainage Districts.

Kossuth County Reaudit

Background, Concerns and Responses

We observed twelve repair/improvement project expenditures, ten of which were from drainage districts specifically mentioned by the petitioners. The projects and related expenditures were not divided into separate programs. The twelve repair/improvement projects observed were in compliance with Chapter 468.126 of the Code of Iowa.

Auditor's Recommendation – No response required.

- 3) **Compliance over policies and procedures over drainage district disbursement, assessment and record keeping** – Petitioners were concerned there was work done on drainage districts that was not on the Engineer's design plan, that work was done for one drainage district while being billed and assessed to a different drainage district, that there was false repair requests and missing assessment records.

Auditor's Response – Board Policies address procedures for proper disbursement, assessment and record keeping.

We inquired and documented the procedures for authorizing drainage district repairs and improvements. We inquired and documented the procedures for drainage district disbursements, assessments and record keeping. We obtained an expenditure listing of work done on drainage districts located within the County. We observed twelve expenditures. The expenditures observed were properly approved, supported, assessed, and recorded.

Auditor's Recommendation – No response required.

- 4) **Bidding process for repair and improvements to drainage districts** – Petitioners were concerned that notice and hearing requirements were not being followed for repair and improvements in excess of \$50,000. In addition, petitioners were concerned contractor bids low and once awarded will submit significant change orders to increase the contracted amount. Also, the petitioners questioned if the Engineer was seeing the change orders.

Auditor's Response – Chapter 468.126 of the Code of Iowa addresses bidding requirements for repairs and improvements.

We observed an improvement contract. The contract was properly bid, and the notice and hearing requirements were in compliance with Chapter 468.126. The original contract was for \$274,088 and three change orders were submitted netting to \$14,823.76 which increased the total improvement to \$288,911.76, or 5.4% higher than the original contract. In addition, change orders were properly supported and approved by the engineer.

Auditor's Recommendation – No response required.

- 5) **FEMA projects and assessments** – Petitioners were concerned that FEMA money was used on drainage districts that were not approved while also assessing property owners and collecting FEMA funds for the same repairs/improvements.

Auditor's Response – The Federal Emergency Management Agency (FEMA), Office of the Chief Security Officer, Fraud Investigations and Inspections Division (FIID), received a complaint on August 19, 2020 into FEMA projects for Kossuth County Drainage Districts. FIID conducted an investigation into the allegation and reviewed all pertinent and necessary documentation. Upon completion of the investigation, FIID determined that the allegation was not substantiated, and the matter is now closed.

Kossuth County Reaudit

Background, Concerns and Responses

We observe 2 of 4 FEMA projects. The two projects observed were properly supported, allowable and approved. In addition, expenditures reimbursed by FEMA funds were not assessed to the drainage district.

Auditor's Recommendation – No response required.

There were additional concerns included in the request for reaudit but were not reviewed during the reaudit. The concerns and the reason they were not addressed during the reaudit are listed below.

- Quality of work – The quality of work performed by contractors are outside the scope of a financial statement audit or a typical compliance audit.

Kossuth County Reaudit

Staff

This reaudit was performed by:

Ryan J. Pithan, CPA, Manager
Nichole D. Tucker, 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
Chief Deputy Auditor of State