



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

Contact: Pam Bormann  
515/281-5834

FOR RELEASE

October 25, 2024

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Leighton, Iowa, for the period January 1, 2023 through December 31, 2023. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported seventeen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 13 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank reconciliations, disbursements exceeding budgeted amounts and errors in the Annual Financial Report. Sand provided the City with recommendations to address each of the findings.

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 website at [Audit Reports – Auditor of State](#).

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**CITY OF LEIGHTON**

**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD**  
**JANUARY 1, 2023 THROUGH DECEMBER 31, 2023**

**City of Leighton**



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Rob Sand  
Auditor of State

September 12, 2024

Officials of the City of Leighton  
Leighton, 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 Leighton, Iowa, for the period January 1, 2023 through December 31, 2023. 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 Leighton 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, appearing to read "Rob Sand", written in a cursive style.

Rob Sand  
Auditor of State

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**City of Leighton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Andy Sytsma	Mayor	Jan 2023	Nov 2023
Frank Ready	Council Member	Jan 2023	Nov 2023
Ken VerMeer	Council Member	Apr 2023	Nov 2023
Steve Nieuwsma	Council Member	Jan 2022	Jan 2024
Kim Sytsma	Council Member	Jan 2022	Jan 2024
Henry Van Roekel	Council Member	Jan 2022	Jan 2024
Sharla Van Kooten	City Clerk		Indefinite
Dustin Hite	Attorney		Indefinite

**City of Leighton**



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Rob Sand  
Auditor of State

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 Leighton for the period January 1, 2023 through December 31, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Leighton'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 Leighton'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 were in place and incompatible duties, from a control standpoint, were 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, journal entries 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 were properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2023 Annual Financial Report to determine whether it was completed timely and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We observed 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. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. 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.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. 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, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Leighton'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 and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Leighton 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 Leighton 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.

  
Pam Bormann, CPA  
Director

September 12, 2024

## **Detailed Findings and Recommendations**

City of Leighton

Detailed Findings and Recommendations

For the period January 1, 2023 through December 31, 2023

(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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Long-term debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Financial reporting – preparing and reconciling.

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 Reconciliations – The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. Also, a list of outstanding checks was not retained monthly.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signature or initials and the date of the monthly reconciliations. A detailed listing of outstanding checks should be maintained monthly for all accounts.

(C) Chart of Accounts – The City did not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. In addition, the City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To better provide financial information and control, the City should implement a financial reporting system and establish procedures to ensure records are maintained to facilitate fund accounting and the use of the COA or its equivalent.

City of Leighton

Detailed Findings and Recommendations

For the period January 1, 2023 through December 31, 2023

- (D) Monthly City Clerk's Report – City Clerk's financial reports were not provided to the City Council monthly which would include beginning balances, receipts, disbursements, transfers and ending balances by fund and comparisons of total disbursements for all funds to the certified budget by function.

Recommendation – The City Clerk should prepare monthly City Clerk's reports which include a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund. In addition, to provide better control over budgeted disbursements and the opportunity for timely budget amounts to the certified budget, the reports should include comparisons of total disbursements to the certified budget by function. The City Council or a designated member should review and approve the monthly City Clerk's reports and the review/approval should be documented by the reviewer's signature or initials and the date approved.

- (E) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. 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.

- (F) City Council Meeting Minutes – Although the minutes of City Council proceedings were posted, they did not include a description of claims being paid, the total disbursements by fund or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, minutes for one meeting observed did not include the vote of each City Council member present to approve a resolution. Chapter 372.13(6) of the Code of Iowa requires cities with a population of less than 200 establish by ordinance three designated locations to post minutes. The City has not approved an ordinance establishing the designated locations.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and include a description of claims being paid, the total disbursements by fund and a summary of all receipts in the posted minutes. The City should include the vote of each City Council member present to approve resolutions. The City should adopt an ordinance to reflect the locations where minutes are posted.

- (G) Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the public safety and culture and recreation functions. 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.

- (H) Prenumbered Receipts – Prenumbered receipts were not issued for all collections received.

Recommendation – Prenumbered receipts should be issued for all collections. An independent person should account for the numerical sequence of the prenumbered receipts and compare these collections to the bank deposit and the accounting records, and the evidence of review should be documented with the signature or initials of the reviewer and the date of the review.

City of Leighton

Detailed Findings and Recommendations

For the period January 1, 2023 through December 31, 2023

(I) Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa states in part, “a city shall publish an annual financial report as provided in Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The following were noted regarding the City’s fiscal year 2023 AFR:

- The beginning fund balance did not agree to the ending fund balances reported in the prior year.
- The ending fund balance reported was \$10,051 less than the City’s records.
- Total receipts reported in the AFR were \$5,307 higher than the City’s records.
- Certain line-item receipts reported in the AFR did not agree with the City’s records.
- Transfers reported included \$9,000 of intrafund transfers.

Recommendation – The City should establish procedures to ensure all financial information is properly reported on the AFR and is supported by City records. An independent person should review the AFR for accuracy and the review should be documented by the signature or initials of the reviewer and the date of the review.

(J) Certificate of Deposit (CD) Interest – The City has not recorded interest earned on CDs in the general ledger.

Recommendation – The City should record interest earned when reported by the bank to ensure accuracy of financial information.

(K) Payroll – During the period January 1, 2023 to December 31, 2023, the City Clerk's salary was not approved by resolution of the City Council. In addition, documentation of employees added or removed from payroll, changes in rate of pay and payroll deductions was not maintained.

Recommendation – All salaries and wages should be approved by the City Council and documented in the minutes record. In addition, documentation of employees added or removed from payroll, changes in rate of pay and payroll deductions should be maintained for all employees.

(L) Mayor and City Council Member Wages – During the period January 1, 2023 to December 31, 2023, City Council members were paid \$35 for each meeting attended. However, Ordinance 2-5-1 states City Council members will be paid \$30 for each meeting of the City Council.

In addition, the Mayor was paid \$1,020 for an annual salary and for attending 12 City Council meetings. However, Ordinance 2-5-2 states the Mayor shall receive an annual salary of \$400 plus \$20 for each meeting of the City Council. Therefore, the Mayor should have received \$640 for annual salary and attendance at City Council meetings.

City of Leighton

Detailed Findings and Recommendations

For the period January 1, 2023 through December 31, 2023

Chapter 372.13(8) of the Code of Iowa states in part, “By ordinance, the council shall prescribe the compensation of the mayor, council members, and other elected city officers, but a change in the compensation of the mayor does not become effective during the term in which the change is adopted, and the council shall not adopt an ordinance changing the compensation of the mayor, council members, or other elected officers during the months of November and December in the year of a regular city election. A change in the compensation of council members becomes effective for all council members at the beginning of the term of the council members elected at the election next following the change in compensation.”

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including corrective action to comply with Chapter 372.13(8) of the Code of Iowa.

(M) Disbursements – For the thirty transactions observed, the following items were noted:

- Electronic payments were not approved by the City Council.
- For two transactions observed, sales tax totaling \$25 was paid. As a government entity, the City maintains a tax-exempt status. As a result, the City should not incur sales tax.
- Two disbursements were not supported by proper documentation.
- One disbursement was not approved in the City Council minutes.
- The City was paying property taxes on one tax-exempt City owned property.
- Invoices and supporting documentation were not provided to the check signer or City Council prior to approval of payment.

Recommendation – All disbursements should be approved in the City Council minutes. All disbursements should be supported by invoices or other supporting documentation. Invoices or other supporting documentation should be provided to the check signer and City Council for approval. The City should also establish procedures to ensure all payments are reviewed to prevent the payment of sales tax. The City should consult legal counsel to determine the legality of paying property taxes on City owned properties.

(N) Voided Checks – There is no policy to ensure voided checks are properly mutilated and retained.

Recommendation – The City should develop a policy to properly mutilate and retain voided checks.

(O) Accounting Policies and Procedures Manual – The City did not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

City of Leighton

Detailed Findings and Recommendations

For the period January 1, 2023 through December 31, 2023

(P) Disaster Recovery Plan – The City did not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

(Q) Private Nonprofit Organizations – During the period January 1, 2023 to December 31, 2023, the City made quarterly park donation payments totaling \$1,900 to a local church, a Chapter 504 nonprofit corporation. The donation was for the Church's upkeep costs of the park. The City did not have a written agreement for the payment.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private nonprofit corporation. Article III Section 31 of the Iowa Constitution 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."

At least six official Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly." The Opinions further states, "Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes."

"Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal-governmental entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support 'public' services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

Recommendation – We are not aware of any statutory authority for the City to donate public funds to a private nonprofit organization. If the nonprofit organization provides a service to the City, the City may enter into a contract for services. The agreement should detail the services provided and the cost of those services, as well as provide transparency for the City which allows confirmation the funds were spent as agreed and a clawback provision in the event they were not spent as agreed. If the donation is not providing a service to the City, the City should immediately cease making such donations.



City of Leighton

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director  
Jennifer L. Wall, CPA, Manager  
Taylor A. Hepp, Senior II Auditor  
Miranda L. Hoch, Staff Auditor