



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

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NEWS RELEASE

Contact: Pam Bormann
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FOR RELEASE

February 4, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Liscomb, Iowa, for the period April 1, 2023 through March 31, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fourteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, the use of a debit card by the Liscomb First Responders and the lack of review of bank reconciliations and utility reconciliations. 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 LISCOMB
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2023 THROUGH MARCH 31, 2024

City of Liscomb



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

January 13, 2025

Officials of the City of Liscomb
Liscomb, 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 Liscomb, Iowa, for the period April 1, 2023 through March 31, 2024. 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 Liscomb 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 Liscomb

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Dynette Mosher	Mayor	Jan 2022	Jan 2026
Ted Gunderson	Council Member	Jan 2022	Jan 2026
Devin Schiebel	Council Member	Jan 2022	Jan 2026
Craig Bracy	Council Member	Jan 2024	Jan 2028
Mike Hayes	Council Member	Jan 2024	Jan 2028
Pam McDonald	Council Member	Jan 2024	Jan 2028
Kristi Schiebel	City Clerk/Treasurer		Indefinite
Laura Eilers	Attorney		Indefinite

City of Liscomb



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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 Liscomb for the period April 1, 2023 through March 31, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Liscomb'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 Liscomb'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. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
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 Liscomb'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 Liscomb 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 Liscomb 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.

A handwritten signature in black ink that reads "Pam Bormann". The signature is written in a cursive, flowing style.

Pam Bormann, CPA
Deputy Auditor of State

January 13, 2025

Detailed Findings and Recommendations

City of Liscomb

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

(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) Long-term debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing, distributing and entering rates into the system.
- (7) Utilities – billing, collecting, depositing, posting and entering rates into the system.
- (8) Financial reporting – preparing and reconciling.

For the Liscomb Fire Department, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, recording and reconciling.
- (3) Disbursements – preparing, recording and signing.

For the Liscomb First Responders, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, recording and reconciling.
- (3) Disbursements – preparing, recording and signing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City, the Liscomb Fire Department and the Liscomb First Responders 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.

City of Liscomb

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

- (B) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The Liscomb Fire Department and the Liscomb First Responders maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Liscomb Fire Department and Liscomb First Responders separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (C) Bank Reconciliations – Although bank reconciliations were prepared monthly, an independent review of the reconciliations was not documented.

Recommendation – An independent person should review all bank reconciliations and document the review by the signature or initials of the reviewer and the date of the review on the monthly reconciliations.

- (D) Liscomb Fire Department Bank Reconciliation – The Liscomb Fire Department maintains bank accounts for activity separate from the City Clerk’s accounting records. The Liscomb Fire Department did not maintain accounting records to track receipts, disbursements and cash balances and did not prepare reconciliations of the bank balances to the book balances.

Recommendation – The Liscomb Fire Department should establish procedures to maintain accounting records to track receipts, disbursements and cash balances and ensure bank account balances are reconciled to the book balance monthly. The reconciliations should be reviewed by an independent person. The independent review should include the signature or initials of the reviewer and the date of the review.

City of Liscomb

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

- (E) Liscomb First Responders Bank Reconciliation – The Liscomb First Responders maintains bank accounts for activity separate from the City Clerk’s accounting records. Reconciliations of the bank balances to the book balances were not prepared.

Recommendation – The Liscomb First Responders should establish procedures to ensure bank account balances are reconciled to the book balance monthly. The reconciliations should be reviewed by an independent person. The independent review should include the signature or initials of the reviewer and the date of the review.

- (F) Debit Card – The Liscomb First Responders has a debit card available for use; therefore, there was no process for prior approval of purchases made with the debit card.

Recommendation – The Liscomb First Responders should prohibit the use of debit cards. The function of a debit card is to provide immediate access to the Liscomb First Responders funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions.

- (G) Petty Cash Policy – A resolution establishing the maximum dollar amount to be maintained in the petty cash fund could not be located.

Recommendation – The City should adopt a resolution establishing the maximum dollar amount to be maintained in the petty cash fund.

- (H) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Although a reconciliation of utility billings, collections and delinquent accounts is prepared monthly, an independent review of the reconciliations was not documented.

Recommendation – The City Council or other independent person designated by the City Council should review the reconciliations and document the review by the signature or initials of the reviewer and the date of the review on the reconciliation.

- (I) Payroll – There was no documentation timesheets were reviewed by supervisory personnel prior to preparation of payroll.

Recommendation – The City should implement procedures to ensure timesheets are reviewed by supervisory personnel. The review should be indicated by the supervisor’s signature or initials and date.

- (J) Disbursements – Two transactions observed for the Liscomb First Responders included sales tax totaling \$7. As a government entity, the Liscomb First Responders maintain a tax-exempt status. As a result, they should not incur sales tax.

In addition, one of five Liscomb First Responders transactions observed and two of five Liscomb Fire Department transactions observed did not have adequate supporting documentation.

Recommendation – The Liscomb First Responders and Liscomb Fire Department should establish procedures to ensure all payments are reviewed to prevent the payment of sales tax. In addition, procedures should be established to ensure all disbursements are properly supported by an invoice or other supporting documentation and this documentation is maintained.

City of Liscomb

Detailed Findings and Recommendations

For the period April 1, 2023 through March 31, 2024

(K) Credit Card Policy – The City and Liscomb First Responders use credit cards for certain purchases involving City business. The City and the Liscomb First Responders have not adopted formal policies to regulate the use of credit cards and to establish procedures to require adequate supporting documentation be maintained for credit card purchases.

Recommendation – The City and the Liscomb First Responders should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the type of supporting documentation required to substantiate charges.

(L) Unclaimed Properly – Chapter 556.11 of the Code of Iowa requires the City to report and remit outstanding obligations, including checks held for more than two years, to the Office of Treasurer of State annually. At March 31, 2024, there were seven outstanding checks which have been outstanding for over two years.

Recommendation – Outstanding obligations should be reviewed annually and items over two years should be remitted to the Office of Treasurer of State, as required.

(M) Employee Benefits – The City accounted for the proceeds of the employee benefits levy in the General Fund rather than establishing a Special Revenue Fund as required by Chapter 384.6 of the Code of Iowa.

Recommendation – The City should establish a Special Revenue Fund to account for the employee benefit levy as required by Chapter 384.6 of the Code of Iowa.

(N) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain Liscomb First Responders disbursements were observed which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Malynda Aicher	Reimbursement for purchase of pop from Hometown Foods to stock the refrigerator for volunteers during meetings	\$ 33
McDonalds	Food for two volunteer first responders while driving ambulance to the funeral service of a previous volunteer	27

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Liscomb First Responders should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the Liscomb First Responders should establish written policies and procedures, including the requirements for proper public purpose documentation.

City of Liscomb

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Ashley J. Moser, Senior Auditor
David R. Roszak, Staff Auditor