



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

February 26, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Elk Run Heights, Iowa, for the period July 1, 2023 through June 30, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported nine findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 and 10 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

Six of the findings discussed above are repeated from the prior year. 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 ELK RUN HEIGHTS
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Elk Run Heights



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Des Moines, Iowa 50319-0006
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Rob Sand
Auditor of State

February 11, 2025

Officials of the City of Elk Run Heights
Elk Run Heights, 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 Elk Run Heights, Iowa, for the period July 1, 2023, through June 30, 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 Elk Run Heights 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 Elk Run Heights

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lisa Smock	Mayor	Jan 2024
Heather Sallis	Mayor Pro Tem	Jan 2024
Dennis Bass	Council Member	Jan 2024
Dave Galbraith	Council Member	Jan 2024
Mark McChane	Council Member	Jan 2024
Gary Wurtz	Council Member	Jan 2024
Julie Eastman	City Clerk/Treasurer	(Resigned Nov 2023)
Sarah Peverill (Appointed Nov 2023)	Interim City Clerk	Indefinite
Heather Prendergast	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lisa Smock	Mayor	Jan 2026
Heather Sallis	Mayor Pro Tem	Jan 2026
Dennis Bass	Council Member	Jan 2026
Dave Galbraith	Council Member	Jan 2026
Travis Rodden	Council Member	Jan 2026
Dale Wilson	Council Member	Jan 2026
Sarah Peverill	Interim City Clerk	(Resigned Mar 2024)
Julie Eastman (Appointed Mar 2024)	City Clerk/Treasurer	Indefinite
Heather Prendergast	Attorney	Indefinite

City of Elk Run Heights



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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 Elk Run Heights for the period July 1, 2023 through June 30, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Elk Run Heights' 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 Elk Run Heights' 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 2024 Annual Financial Report to determine whether it was completed timely and accurately reflected 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. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts for accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. 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.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. 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 Elk Run Heights' 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 Elk Run Heights 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 Elk Run Heights 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

February 11, 2025

Detailed Findings and Recommendations

City of Elk Run Heights

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 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 – investing, reconciling of earnings, recording and custody of investment documents.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, recording and maintaining detailed accounts receivable records.
- (5) Computer system – performing all general accounting functions and controlling all data input and output.

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) City Council Meeting Minutes – Prior to April 10, 2024, Chapter 372.13(6) of the Code of Iowa required minutes of all City Council proceedings to be published within fifteen days of the meeting. After April 10, 2024, Chapter 372.13(6) requires minutes of all City Council proceedings to be delivered to a newspaper within fifteen days of the meeting. Minutes for the February 13, 2024 City Council proceedings was not published within fifteen days of the meeting.

Recommendation – The City should comply with the current Code of Iowa and deliver City Council minutes to the newspaper within fifteen days of the meeting, as required.

(C) Bank Reconciliations – The December 2023 bank reconciliation did not document evidence of an independent review.

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 reconciliation and document the review by the signature or initials of the reviewer and the date of the review on the monthly reconciliation.

City of Elk Run Heights

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendations – Procedures should be established to reconcile utility billings collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public works, culture and recreation, debt service and capital project functions. In addition, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and debt service functions prior to the budget amendment. 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.

- (F) Annual Financial Report (AFR) – A state grant in the amount of \$172,371 was recorded in the AFR as debt proceeds.

Recommendation – The City should establish procedures to ensure financial transactions are properly recorded and reported on the AFR. 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.

- (G) Disbursements – One transaction observed included sale tax of \$4. As a government entity, the City maintains a tax-exempt status. As a result, the City should not incur sales tax.

Recommendation – The City should establish procedures to ensure all payments are reviewed to prevent the payment of sales tax.

- (H) Voided Receipts – Voided receipts were not reviewed by an independent person for propriety.

Recommendation – The City should develop procedures to ensure voided receipts are reviewed by an independent person for propriety. This review should be documented by the signature or initials of the reviewer and the date of the review.

- (I) Annual Urban Renewal Report – The City did not submit the Annual Urban Renewal Report (AURR) by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should ensure the AURR is filed by December 1 as required.

City of Elk Run Heights

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Alexander N. Kawamura, CPA, Manager
Maria R. Collins, Staff Auditor
Bryce L. Rasmussen, Assistant Auditor