



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

March 19, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Massena, 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 eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 and 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent review of utility reconciliations, disbursements exceeding budgeted amounts and utility rates not approved by ordinance. 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 MASSENA

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

**FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024**

City of Massena



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

March 7, 2025

Officials of the City of Massena
Massena, 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 Massena, 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 Massena 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".

Rob Sand
Auditor of State

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City of Massena

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2026
Micah Lee	Council Member	Jan 2024
Adam McCunn	Council Member	Jan 2024
Kevin McCunn	Council Member	Jan 2024
Jackson Bissell	Council Member	Jan 2026
Doug Venteicher	Council Member	Jan 2026
Kenna Lambertsen	City Clerk/Treasurer	(Resigned Oct 2023)
Dawn Stuhr (Hired Oct 2023)	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2026
Jackson Bissell	Council Member	Jan 2026
Doug Venteicher	Council Member	Jan 2026
Micah Lee	Council Member	Jan 2028
Adam McCunn	Council Member	Jan 2028
Kevin McCunn	Council Member	Jan 2028
Dawn Stuhr (Hired Oct 2023)	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite

City of Massena



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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 Massena 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 Massena'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 Massena'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 reflected the City's financial information.
7. The City had no investments.
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. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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 Massena'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 Massena 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 Massena 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

March 7, 2025

Detailed Findings and Recommendations

City of Massena

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

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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Although utility billings, collections and delinquent account reconciliations were performed on a monthly basis for the year ended June 30, 2024, the twelve months observed did not indicate evidence of an independent review.

Recommendation – 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.

(C) Receipts – The City recorded \$10,457 of tier II business property tax replacement tax as property tax rather than intergovernmental receipts according to the Uniform Chart of Accounts (COA) recommended by the City Finance Committee.

Recommendation – The City should establish procedures to ensure all receipts are properly coded and recorded.

City of Massena

Detailed Findings and Recommendations

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

- (D) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the health and social services and debt services functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development, general government and capital project 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.

- (E) Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa requires the City’s AFR contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The total ending fund balance reported in the fiscal year 2024 AFR agreed to City records; however, individual ending fund balances did not agree to the City’s records. Variances were noted as follows:

- General Fund balance overstated by \$112,810.
- Special Revenue Fund balance understated by \$766,054.
- Debt Service Fund balance overstated by \$1,229,652.
- Capital Projects Fund balance understated by \$574,855.
- Proprietary Fund balance understated by \$1,553.

Recommendation – The City should establish procedures to ensure amounts reported in the AFR are accurate and supported by the City’s 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.

- (F) 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 be published within fifteen days of the meeting. After April 10, 2024, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be delivered to a newspaper within fifteen days of the meeting. The publication should include total disbursements from each fund and a summary of all receipts. Four published meeting minutes observed did not include total disbursements from each fund or a summary of all receipts.

Recommendation – The City should comply with the Code of Iowa and ensure the published City Council minutes includes total disbursements from each fund and a summary of all receipts.

- (G) Interfund Transfers – 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.” During the period July 1, 2023 through June 30, 2024, one transfer was not approved by resolution as required.

Recommendation – Interfund transfers should be approved by a resolution as required by Section 545-2 of the City Finance Committee Rules.

City of Massena

Detailed Findings and Recommendations

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

- (H) Utility Rates – Chapter 384.84 of the Code of Iowa requires utility rates to be established by City ordinance. The City ordinance for refuse collection was \$23.03 per month. However, for the year ended June 30, 2024 the City billed at a rate of \$24.03 per month. In addition, the ordinance for water rates was \$12 per thousand gallons up to 10,000 gallons. However, for the year ended June 30, 2024 the City billed at a rate of \$11 per thousand gallons.

Recommendation – The City should ensure the new utility rates are established by City ordinance and ensure all ordinances are retained, as required.

City of Massena

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Shawn P. Weuve, Assistant