



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Telephone (515) 281-5834

NEWS RELEASE

FOR RELEASE

May 15, 2025

Contact: Pam Bormann
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Princeton, 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 fourteen 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 and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

All 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 PRINCETON

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

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

City of Princeton



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

May 6, 2025

Officials of the City of Princeton
Princeton, 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 Princeton, 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 Princeton 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 Princeton

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Kernan	Mayor	Jan 2024
Christina McDonough	Council Member	Jan 2024
Jami Stutting	Council Member	Jan 2024
Gina Wolfe	Council Member	Jan 2024
Zach Phares	Council Member	Jan 2026
Karen Woomert	Council Member	Jan 2026
Kisa Tweed	City Clerk/Treasurer	Indefinite
Nicole Matzen	Deputy Clerk	Indefinite
Candy Pastrnak	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Travis Volrath	Mayor	Jan 2026
Zach Phares	Council Member	Jan 2026
Karen Woomert	Council Member	Jan 2026
Brandon Forristall	Council Member	Jan 2028
Kevin Kernan	Council Member	Jan 2028
Keith Youngers	Council Member	Jan 2028
Kisa Tweed	City Clerk/Treasurer	Indefinite
Nicole Matzen	Deputy Clerk	Indefinite
Candy Pastrnak	Attorney	Indefinite

City of Princeton



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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 Princeton 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 Princeton'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 Princeton'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 2024 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. 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 Princeton'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 Princeton 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 Princeton 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

May 6, 2025

Detailed Findings and Recommendations

City of Princeton

Detailed Findings and Recommendations

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

- (A) Fiduciary Oversight – 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. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort. In the future, the City Council should provide appropriate oversight, including exercising due care and requiring and reviewing pertinent information and documentation prior to making decisions affecting the City. Appropriate policies and procedures should be adopted, implemented, and monitored to ensure compliance.

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

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

- (1) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling 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.

City of Princeton

Detailed Findings and Recommendations

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

- (C) 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 City Fire Department maintains a bank account for activity separate from the City Clerk’s accounting records. While this Department is part of the City, the transactions and the resulting balance 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, resulting balances of this account were not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council prior to payment. Also, a summary of the account’s receipts and total disbursements each month was 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 City Fire Department’s separate account 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 this account should be subject to City Council review and approval and should be included in the City’s budget process. Disbursements should be approved by the City Council prior to payment. Also, a summary of the account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (D) Bank Reconciliations – A complete bank reconciliation summarizing all accounts and reconciling to the City’s total fund balance reported on the monthly Treasurer’s Report was not prepared. The City’s Bank Reconciliation Report generated from the accounting system reconciles the beginning and end of month bank statement balances but did not include outstanding transactions or compare the ending balance to the City’s total fund balance reported on the monthly Treasurer’s Reports. Complete bank reconciliations for the months of October and June 2024 which reconciled the balance reported on the bank statement to the balance reported on the monthly Treasurer’s report were prepared by the City upon the auditor’s request and no variances were noted. However, these bank reconciliations were not reviewed by an independent person. Also, the outstanding transactions report run upon the auditor’s request included deposits in transit and electronic disbursements over one year old.

In addition, for the Fire Department’s checking account at March 31, 2024, the balance recorded in the check register was \$4,668 more than the balance noted as the book balances on the bank reconciliation and \$1,575 less than the balance on the bank statement. At June 30, 2024, the balance recorded in the check register was \$4,461 more than the balance noted as the book balance on the bank reconciliation and \$989 less than the balance on the bank statement. The bank reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, the City and the Fire Department should establish procedures to ensure comprehensive bank reconciliations are performed monthly and variances, if any, between book and bank balances are reviewed and resolved timely. An independent person should review the reconciliations and document the review by the signature or initials of the reviewer and the date of review.

City of Princeton

Detailed Findings and Recommendations

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

- (E) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of the Treasurer of State annually. The City did not remit two checks outstanding for greater than two years.

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

- (F) Petty Cash – The City utilizes a petty cash fund and has a policy for the petty cash fund; however, the policy did not specify the maximum dollar amount to be maintained in the petty cash fund and vouchers for petty cash disbursements were not retained. In addition, the petty cash fund was not maintained on an imprest basis. An imprest system is one in which petty cash is maintained at a fixed, authorized amount and all distributions from the petty cash fund are documented with a vendor receipt.

Recommendation – The petty cash policy should be revised to authorize the dollar amount to be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

- (G) Payroll – For five employee timesheets observed, the timesheets did not include evidence of supervisory review. In addition, the City was unable to locate timesheets for hourly employees for the pay period ended March 17, 2024.

Recommendation – The City should establish procedures to ensure the City maintains all timesheets. Timesheets should be reviewed and approved by supervisory personnel prior to the preparation of payroll. The review should be documented by the signature or initials of the reviewer and the date of review.

- (H) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, capital projects and business type activities 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.

- (I) Annual Financial Report (AFR) – Total indebtedness as of June 30, 2024 and total interest paid during fiscal year 2024 reported in the AFR was understated by \$1,231,584 and \$14,909, respectively.

Recommendation – The City should establish procedures to ensure amounts reported on the AFR reconciles to City records. An independent person should review the AFR for accuracy and document the review by the signature or initials of the reviewer and the date of the review.

- (J) Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented the signature or initials of the reviewer and the date of the review.

City of Princeton

Detailed Findings and Recommendations

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

- (K) Annual Urban Renewal Report – The amounts reported on the Levy Authority Summary in the Annual Urban Renewal Report (AURR) for the fiscal year ended June 30, 2023 included the following:

- The amount reported as TIF debt outstanding was understated by \$139,907.
- The reported ending restricted cash balance for the Low to Moderate Income (LMI) was overstated \$123,184 and the actual ending restricted balance was understated \$123,184.

Recommendation – The City should ensure the amounts reported on the AURR agrees with the City's records.

- (L) City Council Meeting Minutes – For the meeting minutes observed, the publication included a list of all claims allowed but did not include the reason for the claim, or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

The City Council also approved by a motion, including the separately maintained Fire Department account, a list of all claims to be paid. However, the approval was done after the disbursements were made. In addition, there was no evidence of the approval on the claims listings prior to January 2024.

Recommendation – The City should ensure the meeting minutes publication includes a list of all claims allowed, including the reason for the claim and a summary of all receipts. In addition, the City could adopt a written disbursement policy to allow payment of certain routine monthly bills and payroll prior to City Council approval. All disbursements should be approved by the City Council prior to disbursement, with the exception of those specifically allowed by the policy. Those bills paid prior to approval should be submitted to the City Council for review and approval at its next meeting following payment. The action of the City Council should be recorded in the minutes of the City Council.

- (M) Disbursements – We noted the following regarding the City's and Fire Department's disbursements during fiscal year 2024.

- For five of thirty transactions observed for the City and one of five transactions observed for the Fire Department, there were no invoices or other supporting documentation maintained.
- Two instances of sales tax totaling \$4 from the City and \$1 from the Fire Departments were observed. As a government entity, the City maintains a tax-exempt status. As a result, the City and the Fire Department should not incur sales tax.
- Duplicate payments totaling \$1,740 were paid by the City each to the vendor and to the vendor's financing company which remitted payment to the vendor. Ultimately, the vendor was not overpaid because the City carried an outstanding balance on the account. The City has paid 18.40% interest on outstanding balances and, as a result, incurred \$159 in finance charges between September and November 2023.

Recommendation – All disbursements should be supported by original vendor invoices or receipts or other supporting documentation. In addition, the City and Fire Department should establish procedures to ensure all payments are reviewed to prevent the payment of sales tax. Also, the City should establish procedures to ensure duplicate payments are prevented and consider discontinuing the use of financing purchases which result in a high rate of interest.

City of Princeton

Detailed Findings and Recommendations

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

- (N) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings and collections were properly reconciled monthly; however, a delinquent accounts listing was not prepared for the month of June 2024. In addition, there was no evidence the delinquent listing for May 2024 was reviewed by an independent person.

Recommendation – A listing of delinquent accounts should be prepared and retained monthly. Procedures should be established to ensure the utility reconciliations are generated from the City's software and verified by City personnel at the end of each month. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Princeton

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Brianna M. Denton, Staff Auditor
Jon J. Wilson, Assistant Auditor