



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

FOR RELEASE

June 20, 2025

Contact: Pam Bormann
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Lansing, 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 ten 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, disbursements exceeding budgeted amounts and the need to seek legal counsel regarding the relationship between the City and the Lansing Fire Department, Inc. (nonprofit Fire Department). Sand provided the City with recommendations to address each of the findings.

Seven 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 LANSING
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Lansing



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Rob Sand
Auditor of State

May 12, 2025

Officials of the City of Lansing
Lansing, 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 Lansing, 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 Lansing 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

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Auditor of State's Independent Report on Applying Agreed-Upon Procedures | 5-7 |
| Detailed Findings and Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 9 |
| Certified Budget | B 9 |
| Journal Entries | C 9 |
| Lansing Fire Department | D 10-11 |
| Annual Financial Report | E 11 |
| Investment Policy | F 11 |
| City Council Meeting Minutes | G 11 |
| Payroll | H 12 |
| Financial Condition | I 12 |
| Sales Tax | J 12 |
| Staff | 13 |

City of Lansing

Officials

(Before January 2024)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------------|----------------------|---------------------|
| Melissa Hammell | Mayor | Jan 2024 |
| Ian Zahren (Appointed Nov 2022) | Council Member | Nov 2023 |
| Curtis Snitker | Council Member | Jan 2024 |
| Michael Manning | Council Member | Jan 2026 |
| Steve Murray | Council Member | Jan 2026 |
| Lisa Welsh | Council Member | Jan 2026 |
| Katie Becker | City Clerk/Treasurer | Indefinite |
| Tara Drape | Deputy City Clerk | Indefinite |
| Rick Zehasky | Attorney | Indefinite |

(After January 2024)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|----------------------|---------------------|
| Michael Verdon | Mayor | Jan 2028 |
| Lisa Welsh | Council Member | (Resigned Jun 2024) |
| Michael Manning | Council Member | Jan 2026 |
| Steve Murray | Council Member | Jan 2026 |
| Corey Richards | Council Member | Jan 2028 |
| Benjamin Ghelf | Council Member | Jan 2028 |
| Katie Becker | City Clerk/Treasurer | Indefinite |
| Tara Drape | Deputy City Clerk | Indefinite |
| John Anderson | Attorney | Indefinite |

City of Lansing



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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 Lansing 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 Lansing'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 Lansing'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 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. 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 Lansing'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 Lansing 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 Lansing 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 12, 2025

Detailed Findings and Recommendations

City of Lansing

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, recordkeeping and reconciling earnings.
- (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 into the system, billing, collecting, depositing, reconciling, posting and maintaining detailed accounts receivable.
- (7) Long-term debt – recordkeeping, compliance and debt payment processing.

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) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public safety, general government 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.

- (C) 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 by the signature or initials of the reviewer and the date of the review on the journal entries.

City of Lansing

Detailed Findings and Recommendations

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

(D) Lansing Fire Department

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, “A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits.” The City has established a City Fire Department under the City’s Code of Ordinances and has appointed a Fire Chief to head this Department.

Chapter 359.42 of the Code of Iowa requires townships to provide fire protection for the township and Chapter 359.43 allows the township trustees to levy an annual tax for the purpose of exercising its fire protection duties. Chapter 359.42 also allows the township trustees to “contract with a public or private agency under Chapter 28E of the Code of Iowa for the purpose of providing any service or system required or authorized under this section.”

The Lansing Fire Department (nonprofit Fire Department) is a private nonprofit organization whose purpose, as set out in its articles of incorporation, is to “provide for the protection of persons and property from fire; the prevention of fire by the use of precautionary means and methods and by united efforts to educate the inhabitants of the City of Lansing and vicinity to adopt and recognize safety measures to avoid fire; the study of modern ways and means of efficiently combatting and fighting fire; and the operation as a fire company under the control of the corporate authorities of the City of Lansing, Iowa, and the statutes of the State of Iowa.” The City’s Fire Chief has authority over the nonprofit organization.

On July 2, 1962, the City entered into a Fire Protection Agreement with the Rural Fire Protection District. This agreement indicates the Rural Fire Protection District was formed with authority to levy taxes and provide for the purchase of fire equipment and fire protection whereas the City of Lansing has organized and established the Volunteer Fire Department with trained personnel available to operate firefighting equipment and possess established facilities for the housing and care of fire protection.

We noted the following regarding the City’s fire protection services:

- (1) A formal written agreement between the City and the nonprofit Fire Department was signed in March 2023 and the effective date is May 2023. The agreement is for 5 years and is for the purpose of providing and administering fire protection and rescue services in the City of Lansing 24 hours a day, seven days a week, consistent with the Lansing City Code, including Title III Chapter 5 – Fire Protection. The City will contribute \$42,500 annually with an increase up to 4% annually until the contract ends. The agreement also states the City will continue to own the fire equipment, one truck and the building housing the equipment and the nonprofit Fire Department that they previously owned and will provide their own insurance. The City is to pay the utilities for the building and related expenses such as gas and insurance for their one truck. The Fire Department leases the building from the City for \$10,000 a year, which includes utilities. The Fire Department shall be solely liable under this agreement. All employees will be the responsibility of the Fire Department.

City of Lansing

Detailed Findings and Recommendations

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

- (2) The City was unable to provide documentation as to how the Rural Fire Protection District was established. The District does not appear to be organized as a nonprofit organization and no documents could be located by the Townships or the City to indicate its establishment as a 28E organization or a benefited fire district. Also, the City's agreement with the District states "The title to all wheeled equipment will be held by and be in the name of the Lansing Rural Fire Protection District." This is inconsistent with our discussions with City personnel who indicated the City owns most of the fire equipment, including one fire truck, and pays the insurance to cover it. It is unclear what the District's role is in providing fire services for the City.
- (3) The area Townships levy property tax in accordance with Chapter 359.43 of the Code of Iowa to provide for fire service within the Townships. According to City personnel the Township Trustees remit the property tax dollars to the Lansing Rural Fire Protection District. The Rural Fire Protection District then remits the tax dollars over to the nonprofit Fire Department. Again, we were unable to determine how the Lansing Rural Fire Protection District was established or its intended role in providing fire protection. There appears to be no statutory authority under which the Townships are allowed to provide public funds to this organization.

Recommendation – Since the City has joined with the Lansing Rural Fire Protection District, the City should determine how the District was established, including whether a separate entity exists and under what authority the Townships provide public funds to the District.

The City should also establish procedures to provide oversight over the nonprofit Fire Department financial activity and review nonprofit Fire Department records to ensure public funds provided to the nonprofit organization are properly used to accomplish fire protection and, in a manner, consistent with the written agreement.

- (E) Annual Financial Report – The Annual Financial Report (AFR) submitted for the fiscal year ending June 30, 2024 reported the activity and fund balance for the Special Revenue, City Project Fund as a Permanent Fund. However, the source of funds did not meet the definition of a Permanent Fund. Specific revenue sources restricted or committed to expenditure for specified purposes should be reported as Special Revenue Funds.

Recommendation – The City should ensure all amounts on the AFR are accurately reported.

- (F) Investment Policy – A written investment policy has been adopted by the City; however, the policy refers to an outdated Chapter of the Code of Iowa.

Recommendation – The City should modify the written investment policy to reference Chapter 12B.10B of the Code of Iowa.

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published and include total disbursements from each fund, a list of all claims allowed (including reason), a summary of all receipts and a list of ordinances or amendments adopted. Minutes for four meetings observed did not include a summary of all receipts.

Recommendation – The City should comply with the Code of Iowa and include a summary of all receipts, as required.

City of Lansing

Detailed Findings and Recommendations

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

- (H) Payroll – There was no documentation of approval for the hourly rate for one of five employees observed.

Recommendation – All wage rates should be approved by the City Council and documented in the City Council meeting minutes.

- (I) Financial Condition – At June 30, 2024, the City had a deficit balance of \$1,362 in the Special Revenue, Road Use Tax Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial condition.

- (J) Sales Tax – Sales tax of \$6 was paid on one of twenty-five transactions observed. 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.

City of Lansing

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Brianna M. Denton, Staff Auditor
Brandon L. Weddell, Staff Auditor