



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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

NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

June 25, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Cincinnati, 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 10 of this report. The findings address issues such as a lack of segregation of duties, the lack of complete bank reconciliations and the lack of 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 CINCINNATI
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Cincinnati



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

May 6, 2025

Officials of the City of Cincinnati
Cincinnati, 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 Cincinnati, 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 Cincinnati 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 Cincinnati

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jessica Lenik	Mayor	(Resigned Sep 2023)
Ronald Shady (Appointed Sep 2023)	Mayor	Nov 2023
Ronald Shady	Council Member	(Resigned Sep 2023)
Mike McClure	Council Member	Jan 2024
Lisa Owens	Council Member	Jan 2024
Angela Jones	Council Member	Jan 2026
Rick McClure	Council Member	Jan 2026
Cynthia Sulser	City Clerk/Treasurer	Indefinite
Mike Craver	Attorney	(Resigned Aug 2023)
Nicole Cox (Appointed Aug 2023)	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Shady	Mayor	Jan 2026
Ed Fowler (Appointed Jan 2024)	Council Member	Nov 2025
Angela Jones	Council Member	Jan 2026
Rick McClure	Council Member	Jan 2026
Mike McClure	Council Member	Jan 2028
Lisa Owens	Council Member	Jan 2028
Cynthia Sulser	City Clerk/Treasurer	Indefinite
Nicole Cox	Attorney	Indefinite

City of Cincinnati



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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 Cincinnati 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 Cincinnati'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 Cincinnati'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. 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 Cincinnati'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 Cincinnati 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 Cincinnati 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 fluid and cursive, with the first name "Pam" and last name "Bormann" clearly distinguishable.

Pam Bormann, CPA
Deputy Auditor of State

May 6, 2025

Detailed Findings and Recommendations

City of Cincinnati

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, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling, and posting.
- (4) Long-term debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates in the system, recordkeeping, preparing and distributing.
- (7) Utilities – entering rates in the system, billing, collecting, depositing, recording, reconciling, posting and maintaining accounts receivable.
- (8) 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) Bank Reconciliations – While the City reconciled individual bank accounts throughout the year, a complete bank reconciliation, including all bank and investment accounts, was not prepared. In addition, the monthly bank reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, the City should prepare monthly bank reconciliations which include all bank and investment accounts. An independent person should review the reconciliations and document the review by the signature or initials of the reviewer and the date of the review on the monthly reconciliations.

- (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 Cincinnati

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.

Recommendation – 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) Receipts – The City recorded the commercial/industrial replacement tax as property tax rather than intergovernmental receipts and the utility excise tax as property tax rather than other city taxes 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.

- (F) Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa states in part, “a city shall publish an annual financial report as provided in Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” Ending fund balances reported in the fiscal year 2024 AFR did not agree to City records. The General Fund ending fund balance was understated by \$489,683, Special Revenue Fund ending fund balances were overstated by \$676,894 and Proprietary Fund ending fund balances were understated by \$168,414. In total, the ending fund balance did not agree to City records and was overstated by \$18,797.

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.

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

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

- (H) 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 Treasurer of State annually. The City did not remit these obligations, as required.

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

City of Cincinnati

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Lesley R. Geary, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Miranda L. Hoch, Staff Auditor