



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 1, 2025

Contact: Pam Bormann
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Bayard, 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 twenty 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 and utility reconciliations, disbursements exceeding budgeted amounts, deficit fund balances and unsupported disbursements. 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 BAYARD
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Bayard



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 16, 2025

Officials of the City of Bayard
Bayard, 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 Bayard, 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 Bayard 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 Bayard

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Began</u> | <u>Term Expires</u> |
|----------------------------|----------------------|-----------------------|-------------------------|
| Tom Wardyn | Mayor | Jan 2022 | Jan 2026 |
| Michelle Nowak (Appointed) | Council Member | Dec 2023 | Nov 2025 |
| Arnold Kesselring | Council Member | Jan 2022 | Jan 2026 |
| Nathan McAlister | Council Member | Jan 2022 | Jan 2026 |
| Susan Dorr | Council Member | Jan 2024 | Jan 2028 |
| Jack Lloyd | Council Member | Jan 2024 | Jan 2028 |
| Gina Arnold | City Clerk/Treasurer | | Indefinite |
| Clint Fichter | Attorney | | Indefinite |

City of Bayard



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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 Bayard 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 Bayard'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 Bayard'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. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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 Bayard'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 Bayard 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 Bayard 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 letters of the first and last names being capitalized and prominent.

Pam Bormann, CPA
Deputy Auditor of State

May 16, 2025

Detailed Findings and Recommendations

City of Bayard

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) Accounting system – performing all general accounting functions, including journal entries and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (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, posting and maintaining accounts receivable.
- (8) Financial reporting – preparing and reconciling.
- (9) 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.

- (C) Bank Reconciliations – The cash balances in the City’s general ledger were not reconciled to bank balances throughout the year. For the two months observed, bank and book balances did not properly reconcile. Support was not maintained for reconciling items.

Recommendation – The City should establish procedures to ensure bank balances are reconciled to the general ledger monthly and variances, if any, 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 the review on the monthly reconciliations.

City of Bayard

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, and a delinquent account listing was not prepared monthly.

In addition, numerous utility customers, including three City officials, had delinquent accounts totaling \$101,925. City Ordinance Title VI Physical Environment Chapter 5 Utilities – Billing Charges Section 5 provides for a penalty of 10% of the bill being assessed when the payment is considered late and then service should be disconnected within fifteen days if not paid. The utility service of those delinquent customers has not been disconnected according to the City's Utility Billing Charges Ordinance.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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. In addition, the City should comply with the City Ordinance Title VI Physical Environment Chapter 5 Utilities – Billing Charges Section 5 and disconnect any accounts not paid within fifteen days from the end of any given period.

- (E) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover the anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (F) City Council Meeting Minutes – Prior to April 10, 2024, Chapter 372.13(6) of the Code of Iowa requires 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. Prior to April 10, 2024, three monthly meeting minutes observed were not published within fifteen days of the meeting. After April 10, 2024, for one monthly meeting minutes observed there was no evidence minutes were submitted for publication within fifteen days. In addition, meeting minutes were not signed by the City Clerk as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and maintain documentation the minutes were delivered for publication, as required. The City should also comply with Chapter 380.7 of the Code of Iowa and ensure all City Council meeting minutes are signed by the City Clerk.

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

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. Journal entries should be reviewed and approved by an independent person and the approval should be documented by the signature or initials of the reviewer and the date of the review.

City of Bayard

Detailed Findings and Recommendations

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

- (H) Receipts – The City recorded \$3,669 of commercial/industrial replacement tax and \$9,147 of tier I 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.

- (I) Financial Condition – At June 30, 2024, the following funds had deficit fund balances:

- Special Revenue, Road Use Tax Fund – \$42,271
- Capital Project Fund – \$453,876
- Enterprise, Water Fund – \$270,892
- Enterprise, Sewer Fund – \$22,473

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (J) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public safety, culture and recreation and business type activity 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.

- (K) Payroll – There was no evidence the wages of five out of five employees observed were approved by the City Council.

Recommendation – Procedures should be established to ensure payroll rates are approved and documented by the City Council in the minutes.

- (L) Disbursements – The following items were observed:

- Invoices and other supporting documentation were not available for 24 of 30 disbursements observed from the City’s bank accounts.
- Late fees were paid in the amount of \$6 for two of two credit card statements observed.
- Checks were written to cash to pay for postage for six of ten library transactions observed in the amount of \$385.

Recommendation – The City should establish procedures to ensure all disbursements are supported by an itemized invoice or other supporting documentation. In addition, the City should establish procedures to ensure all payments are reviewed to prevent the payment of late fees and checks written to cash should be prohibited.

City of Bayard

Detailed Findings and Recommendations

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

- (M) Credit Cards – The City maintains a credit card in the name of a past employee with a credit balance of \$80. No disbursements have been made on the card for fiscal year ended June 30, 2024.

Recommendation – The City should terminate the credit card account and work with company to resolve the credit balance.

- (N) Advance Payments – Sixty-nine ACH transactions observed were approved by the City Council after the ACH payment was withdrawn from the City's checking account. Three ACH transactions observed did not have adequate support and twenty-six did not trace to the general ledger.

Recommendation – All disbursements should be supported, trace to general ledger and approved by the City Council prior to the ACH withdraw. However, if the City Council determines certain disbursements should be paid in advance of City Council approval, the City Council should pass a resolution authorizing the City Clerk to pay certain bills prior to the City Council's approval. These bills should then be provided to the City Council at the next City Council meeting.

- (O) Local Option Sales Tax – The City's local option sales tax (LOST) ballot requires LOST receipts be used for community betterment. For the year ended June 2024, \$25,943 of LOST receipts were transferred to the Special Revenue Road Use Tax Fund with a description "to eliminate deficit fund balance". The City Council did not document how these transfers meet the provisions of the LOST ballot.

Recommendation – The City should implement procedures to track LOST disbursements and transfers to ensure and document LOST receipts are used in accordance with the ballot.

- (P) 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 under Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures..." The 2024 AFR overall ending fund balances were overstated by \$162,575 when compared to the City's general ledger at June 30, 2024. The variances by fund were as follows:

- General Fund understated by \$52,640
- Special Revenue Fund understated by \$9,488
- Debt Service Fund understated by \$36,344
- Capital Projects Fund overstated by \$250,260
- Permanent Fund understated by \$8
- Proprietary Funds overstated by \$10,795

Recommendation – The City should establish procedures to ensure the 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 review.

City of Bayard

Detailed Findings and Recommendations

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

- (Q) Long-term Debt – The City did not maintain long-term debt agreements for recordkeeping and reconciliation purposes.

Recommendation – The City should maintain all long-term debt agreements for recordkeeping and reconciliation purposes.

- (R) Revenue Notes – The provisions of the water revenue note require the City to produce net operating receipts equal to at least 110% of the principal and interest on the notes as they come due. During the fiscal year ended June 30, 2024, net operating receipts were 53.5% of the water note principal and interest.

Recommendation – The City should ensure net operating receipts for the Enterprise, Water Fund are sufficient to make required debt service payments and comply with the revenue note resolution.

- (S) 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.”

For the year ended June 30, 2024, two transfers totaling \$63,990 with explanations to eliminate deficits were not approved by the City Council by resolution.

Recommendation – Transfers should be approved by resolution and the resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules.

- (T) Disaster Recovery Plan – The City did not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

City of Bayard

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Miranda L. Hoch, Staff Auditor