



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Rob Sand  
Auditor of State

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

NEWS RELEASE

FOR RELEASE

June 27, 2025

Contact: Pam Bormann  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Urbana, 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 thirteen 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, the lack of utility reconciliations, inaccurate reporting in the Annual Urban Renewal Report, a transfer between funds not approved by resolution and disbursements exceeding budgets. 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](#).

# # #

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

**City of Urbana**



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

April 2, 2025

Officials of the City of Urbana  
Urbana, 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 Urbana, 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 Urbana 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
Bank Reconciliations	B 9
Payroll	C 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	D 10
Sewer Revenue Note	E 10
Annual Urban Renewal Report	F 10
Certified Budget	G 10
City Council Meeting Minutes	H 11
Monthly City Clerk's Report	I 11
Interfund Transfers	J 11
Annual Financial Report	K 11
Disbursement Approval	L 11
Signature Stamps	M 12
Staff	13

**City of Urbana**

**Officials**

**(Before January 2024)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mitch McDonough	Mayor	Jan 2024
Amanda Vaske	Council Member	Nov 2023
Jeff Bendull	Council Member	Jan 2024
Shelly Lala	Council Member	Jan 2024
Josh Holthaus	Council Member	Jan 2026
Armin Martin	Council Member	Jan 2026
Traci Wilson	City Administrator/Clerk	(Resigned Jun 2023)
Jennifer Burkhart	City Administrator/Clerk	(Appointed Nov 2023)
Brian Fagan	Attorney	Indefinite

**(After January 2024)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Benson	Mayor	Jan 2026
Josh Holthaus	Council Member	Jan 2026
Armin Martin	Council Member	Jan 2026
Jeff Bendull	Council Member	Jan 2028
Shelly Lala	Council Member	Jan 2028
Amanda Vaske	Council Member	Jan 2028
Jennifer Burkhart	City Administrator/Clerk	Indefinite
Brian Fagan	Attorney	Indefinite

**City of Urbana**



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

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 Urbana 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 Urbana'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 Urbana'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 Urbana'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 Urbana 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 Urbana 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

April 2, 2025

## **Detailed Findings and Recommendations**

City of Urbana

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) 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) Utilities – billing, collecting, depositing, posting, entering rates into the system, recording, reconciling and maintaining detailed accounts receivable records.
- (5) Long-term debt – recordkeeping, compliance and debt payment processing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing and distributing.

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 – Two of twelve bank reconciliations observed included variances between the bank balance and the book balance. For one month, the book balance exceeded the bank balance by \$2,253 and the other month, the bank balance exceeded the book balance by \$557.

Recommendation – The City should establish procedures to ensure bank and investment account 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.

- (C) Payroll – For the period January 2024 through December 2024, a City employee was overpaid \$5,680. The employee began employment with the City on November 6, 2023. The overpayment was the result of the employee's profile being incorrectly set up in the payroll system by the former interim City Clerk. The error caused the employee to receive their normal bi-weekly salary, plus an hourly rate for any holiday or sick hours taken. The City employee reimbursed the City for this overpayment in December 2024 and January 2025, by taking no or reduced paychecks for the period December 7, 2024 through December 31, 2024.

Recommendation – The City should establish procedures to ensure profiles for new employees are reviewed by an independent person for accuracy. In addition, procedures should be established to ensure payroll journals are reviewed and approved by the City Mayor or a City Council person each pay period.

City of Urbana

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 and retained monthly. Although the City’s utility software system can generate a monthly utility reconciliation, this reconciliation was not generated and verified. Verification of the report would involve verifying all the elements in the report (billings, collections, receivable balances and other reconciling items) to supporting documentation. For example, the utility billings amount in the reconciliation report should be verified to the billing report for the month and the utility collections amount in the reconciliation should be verified to the City’s general ledger utility collections for the month.

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 evidence supporting the various elements of the reconciliation should be documented and retained. The City Council or other independent person(s) designated by the City Council should review the reconciliations and monitor delinquent accounts monthly. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Sewer Revenue Notes – Section 6 of the sewer revenue note resolution requires rates and other charges shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest due the succeeding fiscal year on the revenue note. The Enterprise, Sewer Fund did not meet the net revenue requirement during the year.

Recommendation – The City should review the utility rates and make appropriate adjustments to ensure sufficient net revenues are produced to pay principal and interest due the succeeding fiscal year in accordance with the net revenue requirement.

- (F) Annual Urban Renewal Report – We noted the following regarding the fiscal year 2023 Annual Urban Renewal Report (AURR):

- The City reported \$500,000 of “Sewer Project SRF” as a debt obligation on the Levy Authority Summary. This obligation was unsupported and there was no evidence of City Council approval of this obligation as a TIF obligation.
- The City reported \$100,800 as an “LMI Obligation”. This obligation was unsupported.

Recommendation – The City should ensure the amounts reported as TIF debt outstanding on the AURR Levy Authority Summary agree with the City’s records and all obligations are allowable under TIF and have been approved as a TIF obligation by the City Council. The City is currently working with the Iowa Department of Management to correct the AURR moving forward.

- (G) Certified Budget – Disbursements during the year ended June 30, 2024, exceeded the amount budgeted in the capital projects function prior to the budget amendment and at year end. 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Urbana

Detailed Findings and Recommendations

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

- (H) 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. Minutes for the June 18, 2024 City Council meeting were not published.

Recommendation – The City should comply with the Code of Iowa and submit minutes for publication, as required. The City should ensure the minutes submitted are published.

- (I) Monthly City Clerk's Report – The monthly City Clerk's financial reports provided to the City Council for approval did not include a comparison of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the monthly City Clerk's reports provided to the City Council should include a comparison of actual disbursements to the certified budget by function. The City Council or a designated member should review and approve the monthly City Clerk's reports, and the review and approval should be documented by the signature or initials of the reviewer and the date of the review.

- (J) 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 year, the City transferred \$100,000 from the Special Revenue, TIF Fund to the Enterprise, Sewer Fund. This transfer was not approved by City Council resolution, as required.

Recommendation – The City should establish procedures to ensure all transfers are approved by City Council resolution, as required by Section 545-2 of the City Finance Committee Rules.

- (K) 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..." The beginning balance on the fiscal year 2024 AFR did not agree with the ending balance on the fiscal year 2023 AFR by \$33,522.

Recommendation – The City should establish procedures to ensure the AFR beginning balance agrees with the prior report's ending balance and all financial information is properly reported on the AFR and is supported by City records. In addition, 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.

- (L) Disbursement Approval – 15 of 30 disbursements observed were not authorized by the City Council prior to payment.

Recommendation – The City should ensure all disbursements are authorized by the City Council prior to payment.

City of Urbana

Detailed Findings and Recommendations

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

(M) Signature Stamps – Access to signature stamps was not limited to independent personnel.

Recommendation – The City should ensure signature stamps are accessible only to authorized, independent personnel.

City of Urbana

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director  
Janet K. Mortvedt, CPA, Manager  
Ariel N. Dennler, Staff Auditor  
David R. Roszak, Staff Auditor