



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

NEWS RELEASE

FOR RELEASE

July 8, 2025

Contact: Pam Bormann  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Hillsboro, Iowa, for the period April 1, 2024 through March 31, 2025. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 10 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, minutes meetings not complying with the Code of Iowa and lack of ordinances establishing utility rates and compensation for the Mayor and City Council members. Sand provided the City with recommendations to address each of the findings.

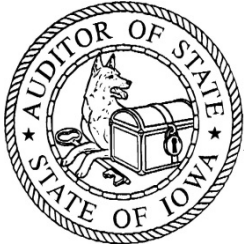
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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](#).

# # #

**CITY OF HILLSBORO**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2024 THROUGH MARCH 31, 2025**

**City of Hillsboro**



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Rob Sand  
Auditor of State

June 9, 2025

Officials of the City of Hillsboro  
Hillsboro, 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 Hillsboro, Iowa, for the period April 1, 2024 through March 31, 2025. 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 Hillsboro 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 Hillsboro**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jamie Ludwig	Mayor	Jan 2024	Jan 2028
Scott Sedore	Council Member	Apr 2024	Nov 2025
Myron Helmers	Council Member	Jan 2022	Jan 2026
Michaelleen Kaeser	Council Member	Jan 2022	Jan 2026
Mona Archer	Council Member	Jan 2024	Jan 2028
William Sanderson	Council Member	Jan 2024	Jan 2028
Rick Smith	City Clerk		Indefinite



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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 Hillsboro for the period April 1, 2024 through March 31, 2025, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Hillsboro'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 Hillsboro'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. The City had no transfers.
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.

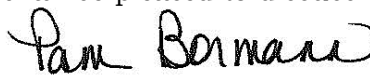
Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Hillsboro'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 Hillsboro 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 Hillsboro 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.

  
Pam Bormann, CPA  
Deputy Auditor of State

June 9, 2025



### **Detailed Findings and Recommendations**

City of Hillsboro

Detailed Findings and Recommendations

For the period April 1, 2024 through March 31, 2025

- (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 – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – entering rates into the system, billing, collecting, depositing, recording, reconciling, maintaining accounts receivable and posting.
- (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 in the system, recordkeeping, preparing and distributing.
- (8) Financial reporting – preparing and reconciling.

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) Investment Register – The City did not maintain an accounting record/register for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number.

Recommendation – The City should maintain an accounting record/register for each investment including cost, description, date purchased, interest rate, maturity date and identifying number.

- (C) Bank Reconciliations – A complete bank reconciliation summarizing all accounts, including investments, and reconciling to the City's total fund balance was not prepared. At March 31, 2025, the overall bank balance according to the City's Quickbooks reconciled to the bank balances; however, the amounts did not agree to the City's book balance on the treasurer's report provided to the City Council.

Recommendation – To improve financial accountability and control, the City should establish procedures to ensure comprehensive bank reconciliations, including cash on hand and investments, 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 the review.

City of Hillsboro

Detailed Findings and Recommendations

For the period April 1, 2024 through March 31, 2025

- (D) Voided Receipts – Voided receipts were not reviewed by an independent person for propriety.

Recommendation – The City should establish procedures to ensure voided receipts are reviewed by an independent person for propriety. This review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) 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.

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.

- (F) Deposits – A resolution naming official depositories was not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 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 meetings be posted in three public places in the City, which have been permanently designated by ordinance, within fifteen days of the meeting, including total disbursements from each fund, a list of claims allowed, including the reason for each claim and a summary of receipts. The City Council has not designated, by ordinance, the three public places in the City where City Council minutes are to be posted. Also, minutes for four of four meetings observed did not include disbursements by fund, a list of claims allowed, including the reason for each claim and a summary of receipts.

In addition, Chapter 380.7 of the Code of Iowa requires minutes to be signed. Minutes for the four meetings observed were not signed as required.

Recommendation – The City should designate three public places for posting City Council meeting minutes by ordinance and the minutes should include disbursements by fund, a list of claims allowed, including the reason for each claim and a summary of receipts and be signed by the City Clerk, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the community and economic development and general government 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.

City of Hillsboro

Detailed Findings and Recommendations

For the period April 1, 2024 through March 31, 2025

- (I) Prenumbered Receipts – Prenumbered receipts were not issued for all collections received.

Recommendation – Prenumbered receipts should be issued for all collections. An independent person should account for the numerical sequence of the prenumbered receipts and compare these collections to the bank deposit and the accounting records and the review should be documented with the signature or initials of the reviewer and the date of review.

- (J) Credit Card Policy – The City has a credit card for use by various employees while on City business. The City did not adopt a formal policy regulating the use of credit cards and establish procedures for the proper accounting of credit card charges. Additionally, for the five credit card bills observed, supporting documentation was not maintained to substantiate all charges.

Recommendation – The City should adopt a formal written policy regulating the use of the City credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purpose, as well as the types of supporting documentation required to substantiate the charges.

- (K) Utility Rates – The City did not have a City ordinance establishing utility rates in accordance with Chapter 384.84 of the Code of Iowa. Chapter 423G.3 of the Code of Iowa states “An excise tax at the rate of six percent is imposed on the sales price from the sale or furnishing by a water utility of a water service in the state to consumers or users.” However, the Mayor’s residence was not billed this excise tax for the month observed.

Recommendation – The City should ensure utility rates are established by City ordinance, as required, and procedures developed to ensure all residents are billed for service in accordance with the Code of Iowa.

- (L) 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 the State annually. The City did not remit these obligations as required.

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

- (M) Payroll – The following items were noted for payroll:

- Timesheets were not required to be submitted by City employees.
- Employee pay rates were not formally approved by City Council.
- The Mayor and City Council member compensation was not established and approved by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – Timesheets should be required for employees and reviewed and approved by supervisory personnel prior to processing payroll. Approved wages for employees should be adequately documented in the City Council minutes. In addition, the City should establish and approve the compensation for the Mayor and the City Council members by ordinance, as required.

City of Hillsboro

Detailed Findings and Recommendations

For the period April 1, 2024 through March 31, 2025

- (N) Receipts and Deposits – In June 30, 2024, a \$70 receipt coded as contractual services was recorded in the accounting system but could not be identified as a deposit in the bank statement and was not included as an outstanding transaction in the June 2024 bank reconciliation.

Recommendation – Procedures should be established to ensure all transactions recorded in the general ledger are accounted for during the bank reconciliation process.

- (O) Monthly City Clerk's Report – The monthly City Clerk's financial reports provided to the City Council did not include beginning balances, receipts, disbursements and ending balances by fund and comparison of total disbursements for all funds to the certified budget by function.

Recommendation – The monthly City Clerk's reports provided to City Council should include a summary of beginning balances, receipts, disbursements and ending balances by fund. In addition, to provide better control over budgeted disbursements and the opportunity for timely budget amounts to the certified budget, the reports should include comparisons of total disbursements to the certified budget by function.

- (P) Petty Cash – The City utilizes a petty cash fund; however, the City does not have a policy for the petty cash fund specifying proper usage, allowable disbursements including required supporting documentation, approvals and maximum dollar amount to be maintained in the petty cash fund 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 City should establish a petty cash fund policy which includes proper usage, allowable disbursements, required supporting documentation, approvals and maximum 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.

City of Hillsboro

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy  
Gwen D. Fangman, CPA, Manager  
David A. Slocum, CPA, Senior Auditor II  
Christofer S. Kingrey, Assistant Auditor