OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: June 25, 2026

Contact: Pam Bormann – (515) 281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Maloy, Iowa, for the period April 1, 2025 through March 31, 2026. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fifteen 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 an independent review of bank reconciliations, the City not implementing the recommended Uniform Chart of Accounts and disbursements exceeding budgeted amounts. 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 MALOY

AUDITOR OF STATE'S INDEPENDENT REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD APRIL 1, 2025 THROUGH MARCH 31, 2026

2622-0757-EP0P

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June 17, 2026

Officials of the City of Maloy
Maloy, 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 Maloy, Iowa, for the period April 1, 2025 through March 31, 2026. 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 Maloy 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,

Rob Sand
Auditor of State

Table of Contents

Page

Officials 3

Auditor of State's Independent Report on Applying Agreed-Upon Procedures 4

Detailed Findings and Recommendations 6

A. Fiduciary Oversight 7
B. Segregation of Duties 7
C. Bank Reconciliations 7
D. Deposits and Investments 8
E. Monthly City Clerk's Report 8
F. Electronic Check Retention 8
G. Chart of Accounts and Accounting System 8
H. City Council Meeting Minutes 9
I. Certified Budget 9
J. Annual Financial Report (AFR) 9
K. Payroll 9
L. Receipts 9
M. Checks 10
N. Accounting Policies and Procedures Manual 10
O. Surety Bond 10

Staff 11

City of Maloy

Officials

Name	Title	Term Began	Term Expires
Curt Jackson	Mayor	Jan 2026	Jan 2028
Kelli Bucher	Council Member	Jan 2026	Jan 2028
Shawn Bucher	Council Member	Jan 2026	Jan 2028
Betsy Keenan	Council Member	Jan 2026	Jan 2028
David Loutzenhiser	City Clerk		Indefinite
Mike Wells	Attorney		Indefinite

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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 Maloy for the period April 1, 2025 through March 31, 2026, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Maloy'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 Maloy'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 2025 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. The City had no debt.
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 Maloy'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 Maloy 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 Maloy 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

Pam Bormann, CPA
Deputy Auditor of State

June 17, 2026

Detailed Findings and Recommendations

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 the report indicate the City Council need 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. Cash – handling, collecting, depositing, reconciling and recording.
2. Investments – investing, detailed recordkeeping, custody and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, recording, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparing and distributing.
6. 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.

C. Bank Reconciliations – A monthly bank reconciliation was performed; however, the reconciliation did not include certificates of deposit. In addition, an independent person did not review the reconciliations.

Recommendation – The City should establish procedures to ensure all bank and investment accounts maintained by the City 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.

D. 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 anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

E. Monthly City Clerk's Report – According to discussions with the City Clerk, monthly reports were not provided to the City Council which would include beginning balances, receipts, disbursements and ending balances by fund and comparisons of total disbursements for all funds to the certified budget by function.

Recommendation – The City Clerk should prepare monthly City Clerk's reports and retain documentation they were provided to the City Council for approval which include a summary of beginning balances, receipts, disbursements and ending balances by fund. To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the reports should include a comparison of total disbursements for all funds 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.

F. Electronic Check Retention – Chapter 554D.114(5) of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not receive the image of the back of each cancelled check for its bank account.

Recommendation – The City should obtain and retain images of both the front and the back of the cancelled checks for its bank account as required by Chapter 554D.114(5) of the Code of Iowa.

G. Chart of Accounts and Accounting System – The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. The City's accounting system consists of a listing of total activity by category and did not provide the cash balance. The City did not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining of the various funding sources of the City, including but not limited to road use tax and local option sales tax, and compliance with budget requirements.

Recommendation – To provide financial information and control, the City should implement a financial reporting system and establish procedures to ensure records are maintained to facilitate fund accounting and the use of the COA or its equivalent.

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

In addition, Chapter 362.3 of the Code of Iowa requires the City to post minutes in three public places which have been permanently designated by ordinance. The City did not have an ordinance designating the three locations, as required.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and ensure meeting minutes include total disbursements for each fund, a list of all claims allowed, including the reason for each claim and a summary of receipts. In addition, the City should establish an ordinance designating the three locations in which the minutes are posted.

I. Certified Budget – Disbursements during the year ended June 30, 2025 exceeded the amounts budgeted in the general government function. 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 the disbursements were allowed to exceed the budget.

J. 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 ending fund balance was overstated by $676 compared to City records.

Recommendation – The City should establish procedures to ensure amounts reported in the AFR are accurate and properly supported by the City's records. An independent person should review the AFR for accuracy and document the review by the signature or initials of the reviewer and the date of the review.

K. Payroll – For the three transactions observed, the following items were noted:

- Approval of the City Clerk's pay rate was not documented in the City Council minutes.
- One check amount was $10 more than the approved amount.

Recommendation – The City Clerk's pay rate should be approved by the City Council and be documented in the City Council minutes. Additionally, the City should establish procedures to ensure that the amounts approved for payroll match what is paid.

L. Receipts – One local option sales tax (LOST) receipt was coded as a road use tax receipt, and one road use tax receipt was coded as property tax.

Recommendation – The City should establish procedures to ensure all receipts are properly coded and recorded to the proper source code in accordance with the recommended chart of accounts.

M. Checks – The City did not maintain control over unused checks and did not have procedures to ensure voided checks were properly mutilated and retained.

Recommendation – The City should store unused checks in a secure location at the City and establish procedures to ensure void checks are properly mutilated and retained.

N. Accounting Policies and Procedures Manual – The City did not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

1. Aid in training additional or replacement staff.
2. Help achieve uniformity in accounting and the application of policies and procedures.
3. Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar situation arises.

O. Surety Bond – The City did not have surety bond coverage as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should obtain surety bond coverage in order to comply with Chapter 64 of the Code of Iowa.

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Stephen J. Hoffman, CIA, Manager
Tristan J. Swiggum, CPA, Senior Auditor