



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834
www.auditor.iowa.gov

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: June 30, 2026

Contact: Pam Bormann – (515) 281-5834

Auditor of State Rob Sand today released an audit report on the Water and Waste Disposal Systems for Rural Communities program for the City of Massena, Iowa.

The City of Massena’s Water and Waste Disposal Systems for Rural Communities program disbursements totaled \$1,849,841 for the year ended June 30, 2025.

AUDIT FINDINGS:

Sand reported three findings related to the program. The findings are found on page 13 through 15 of this report. The findings address issues such as a lack of segregation of duties, the lack of signatures and dates on federal financial reports and the lack of competitive procurement for a purchase. Sand provided the City with recommendations to address 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 audit report is available for review on the Auditor of State’s website at [Audit Reports - Auditor of State](#).

CITY OF MASSENA

**WATER AND WASTE DISPOSAL SYSTEMS
FOR RURAL COMMUNITIES**

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2025



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Rob Sand
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June 17, 2026

Officials of the City of Massena
Massena, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the program audit report for the City of Massena, Iowa, for the year ended June 30, 2025. The program audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Massena throughout the audit. 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 that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Massena

Officials

Name	Title	Term Expires
Phil Przychodzin	Mayor	Jan 2026
Jackson Bissell	Council Member	Jan 2026
Doug Venteicher	Council Member	Jan 2026
Micah Lee	Council Member	Jan 2028
Adam McCunn	Council Member	Jan 2028
Kevin McCunn	Council Member	Jan 2028
Dawn Stuhr	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the Schedule of Expenditures of Federal Awards for the Water and Waste Disposal Systems for Rural Communities program of the City of Massena, Iowa for the year ended June 30, 2025, and the related note (the schedule).

In our opinion, the accompanying Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards for the Water and Waste Disposal Systems for Rural Communities program of the City of Massena for the year ended June 30, 2025, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the City of Massena, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the schedule, which describes the basis of accounting. The schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the schedule in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS and Government Auditing Standards and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Massena's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Pam Bormann, CPA
Deputy Auditor of State

June 17, 2026

City of Massena

Water and Waste Disposal Systems for Rural Communities

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

<u>Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760	None	<u>\$ 1,849,841</u>

See note to the Schedule of Expenditures of Federal Awards.

City of Massena

Water and Waste Disposal Systems for Rural Communities

Note to Schedule of Expenditures of Federal Awards

June 30, 2025

(1) Summary of Significant Accounting Policies

The City of Massena is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1887 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Water and Waste Disposal Systems for Rural Communities program.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the City under the Water and Waste Disposal Systems for Rural Communities program of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Massena, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Massena.

C. Basis of Accounting

Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

D. Indirect Cost Rate

The City of Massena has elected to not use the 10% de minimus cost rate as allowed under the Uniform Guidance.



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Independent Auditor's Report on Compliance
For a Federal Program and Report on Internal Control over Compliance
When Using the Program-Specific Audit Option to Satisfy
the Uniform Guidance Audit Requirements

To the Honorable Mayor and Members of the City Council:

Report on Compliance for the Water and Waste Disposal Systems for Rural Communities Program

Opinion on Compliance for the Water and Waste Disposal Systems for Rural Communities Program

We have audited the City of Massena, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its Water and Waste Disposal Systems for Rural Communities program for the year ended June 30, 2025.

In our opinion, the City of Massena complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Water and Waste Disposal Systems for Rural Communities program for the year ended June 30, 2025.

Basis for Opinion on the Water and Waste Disposal Systems for Rural Communities Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Massena and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Water and Waste Disposal Systems for Rural Communities program. Our audit does not provide a legal determination of the City of Massena's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Water and Waste Disposal Systems for Rural Communities program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Massena's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Massena's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Massena's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Massena's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Massena's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-002 and 2025-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Massena's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Massena's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Pam Bormann, CPA
Deputy Auditor of State

June 17, 2026

Schedule of Findings and Questioned Costs

City of Massena

Water and Waste Disposal Systems for Rural Communities

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the Schedule of Expenditures of Federal Awards, which was prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles in the United States of America.
- (b) A material weakness and significant deficiencies in internal control over the Water and Waste Disposal Systems for Rural Communities program were disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any noncompliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the Water and Waste Disposal Systems for Rural Communities program.
- (e) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (f) The major program was Assistance Listing Number 10.760 – Water and Waste Disposal Systems for Rural Communities.

City of Massena

Water and Waste Disposal Systems for Rural Communities

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Part II: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**Assistance Listing Number 10.760: Water and Waste Disposal Systems for Rural Communities
Federal Award Year: 2025
Prior Year Finding Number: N/A
U.S. Department of Agriculture**

2025-001 Segregation of Duties

Criteria – 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.

Condition – One individual in the City has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Long-term debt – recordkeeping, compliance and debt payment processing.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

City of Massena

Water and Waste Disposal Systems for Rural Communities

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Response and Corrective Action Planned – We will review procedures and attempt to make the necessary changes by September 1, 2026 to improve internal control.

Conclusion- Response accepted.

Assistance Listing Number 10.760: Water and Waste Disposal Systems for Rural Communities

Federal Award Year: 2025

Prior Year Finding Number: N/A

U.S. Department of Agriculture

2025-002 Reporting

Criteria – According to the 2025 OMB Compliance Supplement for Water and Waste Water Disposal Systems for Rural Communities, a borrower may submit financial data similar to what is required on Forms RD 442-2 and 442-3, and these forms must be signed and dated by the borrower to certify the correctness of the information.

Condition – The City did submit financial reports which substantially met the requirements of the compliance supplement; however, these reports were not signed and dated as required by the compliance supplement.

Cause – Policy and procedures have not been established to require signatures and dates on financial data submitted to awarding agencies.

Effect – The lack of established policies and procedures could result in incorrect data being reported.

Recommendation – The City should establish policies and procedures to ensure all financial data submitted to awarding agencies is signed and dated by the City certifying the information is correct.

Response and Corrective Action Planned – A policy and procedure will be established to ensure the City documents independent review on future reports starting on September 1, 2026.

Conclusion – Response accepted.

City of Massena

Water and Waste Disposal Systems for Rural Communities

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

Assistance Listing Number 10.760: Water and Waste Disposal Systems for Rural Communities
Federal Award Year: 2025
Prior Year Finding Number: N/A
U.S. Department of Agriculture

2025-003 Procurement

Criteria – Title 2, U.S. Code of Federal Regulations Part 200.320 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), requires the City to establish and maintain effective controls over the acquisition of property or services, the aggregate dollar amount of which is higher than the simplified acquisition threshold. If formal procurement procedures are used, requests for proposals must be solicited from multiple qualified entities.

Condition – The City has established a federal procurement policy; however, for one purchase the City did not obtain proposals from multiple qualified entities.

Cause – City policies were established to ensure purchases follow the federal procurement requirement; however, procedures have not been established to ensure proposals were obtained and maintained as required by Uniform Guidance.

Effect – Not following Uniform Guidance procurement policies could result in the purchase being made at a less advantageous offer than what was necessary for the project requirements.

Recommendation – The City should establish procedures to ensure procurement follows the federal procurement policy in accordance with Uniform Guidance.

Response and Corrective Action Planned – The City will review procedures for federal procurements to ensure procurement policy is followed starting on September 1, 2026.

Conclusion – Response accepted.

City of Massena

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Taylor A. Hepp, Senior Auditor II
Miranda L. Hoch, Staff Auditor