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NEWS RELEASE

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FOR RELEASE September 25, 2024

Auditor of State Rob Sand today released a report on a special investigation of the City of Hamburg (City) for the period of March 1, 2019 through August 31, 2023. The special investigation was requested by Iowa Economic Development Authority (IEDA) and Homeland Security and Emergency Management Department (HSEMD) as a result of concerns communicated to the Department's regarding certain grant funds and a forgivable loan received by the City following the March 2019 flood. Concerns were also received regarding City officials, City employees, and their family members and friends receiving direct benefit from the funds awarded to the City.

Sand reported the special investigation identified the following with the Nuisance Property and Abandoned Building Remediation Loan Program:

- The City did not enter into an agreement with Hamburg Economic Development Council (HEDC) to administer the Nuisance Property and Abandoned Building Remediation Loan Program.
- City officials were unable to provide supporting documents showing the properties acquired under the program were nuisance properties as defined by the Code of Iowa or under the terms of the program. HEDC officials stated that properties were identified by physically driving through the community and selecting lots that would have been favorable for potential buyers.
- Under the program, 6 properties were purchased by HEDC and not the City. However, HEDC was not a party to the grant between the Iowa Economic Development Authority and the City of Hamburg.
- The City provided funding under the program to build two new homes. One home was owned by a City Council member who transferred ownership to a family member. The second home was privately owned. The owner was not related to a member of City government. City officials were unable to provide any support why NPAB funds were used on lots that were not cleared or owned by the City.
- The program allows funds to be used for construction for City owned homes. If the funds are used for projects owned by private citizens, the homeowners are to repay the funds to the City. Under the program the city paid 60% of the construction costs for two privately owned homes. We could not determine why the homeowners did not repay the funds to the City as required by the program. For the two homes the construction costs paid by the grant were \$86,730.00 and \$104,576.50.
- For the two homes constructed there is no evidence the owners repaid any portion of the funds provided under the program.

Sand reported the special investigation identified the following with the Community Catalyst Building Remediation Grant Program:

- The City did not enter into an agreement with Hamburg Economic Development Council (HEDC) to administer the Community Catalyst Building Remediation Grant Program awarded to the City.
- Under the terms of the program, if the building is owned by an entity other than the city, the respective city must provide information regarding ownership and the relationship with the City. The City did not disclose a City Council member was negotiating ownership of 2 buildings which received funding.
- The city was unable to provide support showing two applicants provided the required match in the form of financial or in-kind assistance.
- The city violated Iowa Code 234.7, by quit claiming a deed to a property owned by the City to an applicant who received funding under the program. Under the Code of Iowa, the City should have published a notice on the date a public hearing was to be held regarding the sale. The Code also prohibits the disposal of real property by gift, except to a governmental body for public purpose.

Other issues

- The City made a duplicate payment to HEDC totaling \$50,000.00 that was not authorized or explained.
 - The duplicate payment was issued on April 29, 2020 for \$50,000.00 for the Catalyst Grant. The \$50,000.00 was previously paid on February 13, 2020.
- HEDC cashed and deposited donation checks expressly written out to the City totaling \$23,690.17.

Sand also reported several familial relationships were identified between recipients of Nuisance/Abandoned Property Remediation Fund (NPAB) funds and City Council member, Kent Benefiel, and the City's public works director, Alan Dovel.

Sand reported that the Community Catalyst Building Remediation Grant Program (Catalyst grant) was facilitated by HEDC, even though there was a prohibition on the transfer or reassignment of the grant funds in the agreement between the City and IEDA. Mr. Benefiel applied for catalyst grant funds related to two properties on Main Street and received the largest share of the catalyst grant funds.

Copies of this report have been filed with the Iowa Division of Criminal Investigation, the Fremont County Attorney's Office, the Fremont County Sheriff's Office, and the Attorney General's Office. A copy of the report is available for review on the Auditor of State's website at [Special Interest Reports](#).

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**REPORT ON SPECIAL INVESTIGATION
OF THE
NUISANCE PROPERTY AND ABANDONED BUILDING FORGIVABLE LOAN,
COMMUNITY CATALYST BUILDING REMEDIATION GRANT,
COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY, AND
RESIDENTIAL AND COMMERCIAL BUYOUT GRANTS
AWARDED TO
THE CITY OF HAMBURG
FOR THE PERIOD
MARCH 1, 2019 THROUGH AUGUST 31, 2023**

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OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
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Auditor of State's Report

To: Debi Durham, Director of Iowa Economic Development Authority and
John Benson, Director of Homeland Security and Emergency Management

As a result of alleged improprieties regarding grant fund awards to the City of Hamburg (City), at the request of a City official, the Iowa Economic Development Authority (IEDA), and Homeland Security and Emergency Management Department (HSEMD), we have performed procedures related to the expenditure of the grant funds awarded to the City.

The IEDA programs reviewed as part of this investigation are as follows: Nuisance Property and Abandoned Building Loan Program (NPAB program), Community Catalyst Building Remediation Grant Program (Catalyst program), and Community Development Block Grant Disaster Recovery grant (CDBG-DR). The HSEMD programs reviewed as part of this investigation were specific to grants awarded for residential and commercial buyouts.

We have applied certain tests and procedures to the grant programs identified above for the period March 1, 2019 through August 31, 2023. All funding agreements were signed within the investigative period. Because most funding is issued on a reimbursement basis several programs are still ongoing and there will be additional City requests for reimbursement which were not part of our review. Based on a review of relevant information and discussions with IEDA and HSEMD officials and personnel, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Examined IEDA and HSEMD grant system records, including but not limited to, the City's grant applications, contracts and agreements, procurement documents, requests for reimbursement, notes, invoices, and other supporting records to determine whether the grants were appropriately administered, procured, and complied with all applicable statutes, policies, and procedures.
- (3) Reviewed grant advanced payments and reimbursement to the City for unusual or inconsistent activity.
- (4) Examined the City's bank accounts, cashed checks, credit card, and commercial loan accounts to track the source and purpose of incoming/outgoing grant funds.
- (5) Examined the bank accounts and construction loan accounts of Hamburg Economic Development Corporation (HEDC) to track the incoming grant funds from the City and how those funds were used.
- (6) Reviewed additional records, including but not limited to, complaints, email exchanges, reports, interviews, contracts and agreements, audio/video files, and news articles.
- (7) Reviewed applicable statutes, rules, and regulations as well as federal and state grant program policies, procedures, and guidelines.
- (8) Discussed the City's grant awards with IEDA and HSEMD officials and personnel for clarifying questions and to determine the intended purpose of the grant award and whether the City's activity aligned with its contractual obligations and policies.

- (9) Reviewed documentation received from the City and HEDC in response to our requests for information.
- (10) Interviewed City officials and third-party individuals involved in grant process decision making.

The procedures identified several financial improprieties, undisclosed conflicts of interest, inconsistencies between program plans and the City’s actions, failure to maintain adequate records and supporting documentation, and failure to properly provide public notice.

We were unable to determine if any additional improprieties were present during the period reviewed because adequate records were not available or provided by the City or HEDC. Additionally, our procedures were limited to the grant programs identified above for which the City applied for and was awarded funding from HSEMD or IEDA. We are unable to determine whether there are improprieties related to other federal or state funds received by the City, or more generally within the City. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Fremont County Attorney’s Office, the Fremont County Sheriff’s Office, and the Attorney General’s Office.

We would like to acknowledge the assistance extended to us by administrators and personnel of IEDA, HSEMD the City, HEDC, and all other respective individuals that offered assistance or that we reached out to during the course of our investigation.



ROB SAND
Auditor of State

August 14, 2024

Report on Special Investigation of the
Nuisance Property and Abandoned Building Forgivable Loan,
Community Catalyst Building Remediation Grant,
Community Development Block Grant Disaster Recovery, and
Residential and Commercial Buyout Grants

Awarded to
City of Hamburg

Investigative Summary

Background Information

The City of Hamburg (City) is in Fremont County and has a population of under 1,200. Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental entities. As governmental entities, they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state.

Mr. Benefiel served as the Mayor pro-tem for the period between Mayor Crain’s resignation and Mayor Adams appointment. Additionally, while Sheryl Owen resigned as City Clerk, she served the City in the role of Grant Manager from August 1, 2022 through November 1, 2022.

Hamburg Economic Development Corporation

The Hamburg Economic Development Corporation (HEDC) is a local nonprofit corporation located in the Hamburg, Iowa. HEDC was incorporated on October 13, 1988, under the provisions of Iowa Code Chapter 504A, the Nonprofit Corporation Act and is registered with the IRS as a Tax-Exempt Organization in accordance with Internal Revenue Code 501(c)(3). The specific purpose of HEDC is promote the betterment of the downtown area in Hamburg as well as the general welfare of the City and the surrounding communities. Although a private organization may be formed to provide and support “public” services which are the same or similar to the services provided by government, private organizations are not subject to the same degree of public accountability and oversight as governmental entities.

At the start of this investigation, HEDC’s federal tax-exempt status had been revoked based on an IRS public search. HEDC was placed on the auto-revocation list on May 15, 2022. Organizations may be placed on the auto-revocation list for not filing a Form 990-series return or notice for three consecutive years. HEDC’s tax-exempt status was reinstated following a favorable determination letter issued by the IRS. According to the IRS website, HEDC was reinstated as a tax-exempt organization on May 5, 2023. To date, the tax returns relevant to the period of this investigation 2019, 2020, 2021, and 2022 are not available for public viewing.

HEDC’s most recent Biennial Report was filed with the Iowa Secretary of State (SOS) on January 9, 2023 and identifies the agents and officers as follows:

Name	Title
Heidi White	Registered Agent/Secretary
Earl Hendrickson	Director
Lawrence Buckalew	Director
Melinda Gilbert	Treasurer
Terry Holliman	President

Ms. Crain served as both the Mayor of Hamburg and the Director of HEDC for the majority of the period of our investigation. During our review, we were made aware Melinda Gilbert and Heidi White were employees of the bank where the City and HEDC maintained their bank accounts.

Notification

In March 2019, a large portion of the City flooded as a result of the City’s levee failing along the Missouri River. After the flooding, the City began to rebuild. In order to help rebuild, the City applied for and received funding from the Iowa Department of Homeland Security and Emergency Management (HSEMD) through the Federal FEMA program and from the Iowa Economic Development Authority (IEDA). In addition, the City sought donations through a link on its website and a GoFundMe website.

In the fall of 2022 and early 2023, our office received several complaints regarding City officials and their handling of federal and state grant dollars related to the flooding. The complaints also included allegations the City turned grant funds over to the HEDC. Additional allegations were also made regarding the lack of transparency, retaliation, and preferential treatment of City Council members, employees, and friends and family. Information provided shows residents had also contacted the Iowa Economic Development Authority and requested information related to grants awarded to the City.

In February 2023, we met with officials from IEDA and HSEMD to discuss these allegations. As a result, IEDA and HSEMD engaged our office to investigate the claims made related to specific grant and forgivable loan dollars received by the City. After being engaged by IEDA and HSEMD, we received a qualifying reaudit request related to the funds received from IEDA and HSEMD. The reaudit request was dated February 20,2023. Subsequent to this request, we received documents related to the issues raised in the qualifying reaudit request.

As a result of the reaudit request and being engaged by IEDA and HSEMD, the Office of Auditor of State reviewed the City’s financial records for the programs listed in **Table 1**. We performed the procedures detailed in the Auditor of State’s Report for the period June 1, 2020, through August 31, 2023.

Table 1

Funding Opportunity	Administered By:	Total Award	Amount Paid as of 10/19/2023	Current Status
Nuisance/Abandoned Property Remediation Fund	IEDA	\$ 600,000.00	600,000.00	Closed
Community Catalyst Building Remediation – Main St Businesses	IEDA	400,000.00	383,067.58	Closed – no additional funds can be drawn
Community Catalyst Building Remediation – Community Colonial Theater	IEDA	100,000.00	60,000.00	Underway
CDBG-DR Infrastructure	IEDA	547,429.00	547,429.00	Closed
CDBG-DR Housing	IEDA	25,590,508.00	1,295,729.00	Underway
CDBG-DR Buyouts	IEDA	699,311.00	646,201.00	Underway
Flood Recovery Funds (S2)	HSEMD	432,986.93	432,986.93	Closed
Flood Recovery Funds (S14)	HSEMD	1,100,000.00	395,137.35	Underway
Hazard Mitigation Grant Program (F6 S496) - Buyouts	HSEMD	4,427,312.00	1,958,557.20	Underway
Hazard Mitigation Grant Program (F6 S548) – Management Costs	HSEMD	99,606.00	99,606.00	Closed
PA #1198 403 Cat B Commercial Demolition	HSEMD	1,505,750.00	676,189.47	Closeout in progress
PA #1209 Reformulation 3 Demo Homes.	HSEMD	58,088.07	19,031.90	Closeout in progress
PA #1239 Demolition 407 Buyouts	HSEMD	1,355,388.30	559,735.54	Closeout in progress
Total		\$ 36,916,379.30	7,673,670.97	

Detailed Findings

The procedures identified the following issues with each of the following programs:

- The City did not enter into an agreement with Hamburg Economic Development Council to administer the Nuisance Property and Abandoned Building Remediation Loan Program or the Community Catalyst Building Remediation Grant Program.

Nuisance Property and Abandoned Building Remediation Loan Program

- City officials were unable to provide supporting documents showing the properties acquired under the program were nuisance properties as defined by the Code of Iowa or under the terms of the program. HEDC officials stated that properties were identified by physically driving through the community and selecting lots that would have been favorable for potential buyers.
- Under the program, 6 properties were purchased by HEDC and not the City. However, HEDC was not a party to the grant between the Iowa Economic Development Authority and the City of Hamburg.
- The City provided funding under the program to build two new homes under the program. One home was owned by a City Council member who transferred ownership to a family member. The second home was privately owned. The owner was not related to a member of City government. City officials were unable to provide any support why NPAB funds were used on lots that were not cleared or owned by the City.
- The program allows funds to be used for construction for City owned homes. If the funds are used for projects owned by private citizens, the homeowners are to repay the funds to the City. Under the program the city paid 60% of the construction costs for two privately owned homes. For the one of the homes the construction costs paid by the grant were \$86,730.00. The City could not provide support showing the homeowner repaid the \$86,730.00 in construction costs.

Community Catalyst Building Remediation Grant Program

- Under the terms of the program, if the building is owned by an entity other than the city, the respective city must provide information regarding ownership and the relationship with the City. The City did not disclose a City Council member was negotiating ownership of 2 buildings which received funding.
- The city was unable to provide support showing two applicants provided the required match in the form of financial or in-kind assistance.
- The city violated Iowa Code 234.7, by quit claiming a deed to a property owned by the City to an applicant who received funding under the program. Under the Code of Iowa, the City should have published a notice on the date a public hearing was to be held regarding the sale. The Code also prohibits the disposal of real property by gift, except to a governmental body for public purpose.

Our procedures were limited to the programs listed in the **Table 1**. We were unable to determine if additional funds were improperly disbursed or if any additional collections were not properly deposited during the period reviewed because adequate records were not available. A detailed explanation of each finding follows.

We attempted to contact Ms. Owens, the former City Clerk, Mr. Dovel (former public works director), and Mr. Benefiel, former council member, to discuss the various projects and certain transactions but were unable to arrange meetings. We were also provided Ms. Gilbert's name as a contact for Hamburg Economic Development Corporation. She also declined to speak to us without a lawyer present.

Nuisance Property and Abandoned Building Remediation Loan Program

The Nuisance Property and Abandoned Building Remediation Loan Program (NPAB program) is administered through the Iowa Economic Development Authority (IEDA). The program provides financial assistance in the form of zero, or low, interest loans for the demolition or remediation of buildings or properties which are a hazard to public safety and health to Iowa communities.

Iowa Code section 15.338(1)(b) states that IEDA shall administer the NPAB fund as a revolving fund. IEDA may use any moneys from the general assembly appropriated towards this program as well as any other lawful moneys that are available to IEDA. The NPAB program moneys are exclusively state grant dollars.

The NPAB program is not a disaster recovery program, all Iowa communities are eligible to apply for these funds. In this case, the City requested funding following the flood as part of its recovery effort. There is no minimum or maximum loan amount. Per Iowa Administrative Code rule 261-22.3(1), the amount of assistance awarded is negotiated between the applicant (city) and IEDA based on the total amount of funds available to IEDA for the NPAB program and based on the project details. Cities submit their applications through Iowagrants.gov, the online state grant management portal used by IEDA.

For purposes of the NPAB program, Iowa Administrative Code rule 261-22.2 defined an “abandoned building” or “abandonment” as:

[A] building that meets either of the following:

1. In the case of a building located within a city’s limits, a building that has remained vacant and has been in violation of the housing code or building code of the city for a period of six consecutive months.
2. In the case of a building located outside a city’s limits, a building that has remained vacant and has been in violation of the housing code or building code applicable in the county in which the building is located for a period of six consecutive months.

Nuisance property is defined as “a building, structure, or other real estate that is, or is likely to become, a public nuisance.” *Id.* “Public nuisance” is defined as:

[A] building that is a menace to the public health, welfare, or safety, or that is structurally unsafe, unsanitary, or not provided with adequate safe egress, or that constitutes a fire hazard, or is otherwise dangerous to human life, or that in relation to the existing use constitutes a hazard to the public health, welfare, or safety by reason of inadequate maintenance, dilapidation, obsolescence, or abandonment. “Public nuisance” includes buildings with blighting characteristics as defined by Iowa Code section 403.2. *Id.*

Demolitions under this program must be tied to a redevelopment effort within the community. All buildings that are part of this program must be documented as representing a public nuisance, this could be through abandonment, chronic building code violations, or dilapidation that poses a hazard to public health and safety.

Iowa Administrative Code rule 261-22.2 defined “Costs directly related” means expenditures that are incurred for acquisition, demolition, disposal, redevelopment, or rehabilitation of a project to the extent that they are attributable directly to the remediation or redevelopment of the property or its improvements. “Costs directly related” includes expenditures for site preparation work, surveying, construction materials, construction labor, architectural services, engineering services, building permits, building inspection fees, and interest accrued on a construction loan during the time period allowed for project completion under an agreement entered into pursuant to the program. “Costs directly related” does not include expenditures for furnishings, appliances, accounting services, legal services, loan origination and other financing costs, syndication fees and related costs, developer fees, or the costs associated with selling or renting the dwelling units whether incurred before or after completion of the housing project.”

On June 11, 2019, Southwest Iowa Planning Council (SWIPCO) submitted the City's application for the NPAB program. The City's application stated that the City would "purchase certain nuisance and/or abandoned lots," "make improvements to them to ensure they can be developed," and that the City would work with "public agencies and private developers to build back a more resilient Hamburg post-flood."

The application also stated the City had already identified a number of lots that are currently for sale, either formally or informally, some of which have dilapidated structures on them, and other parcels have no structures on them. The application also states the City would work with SWIPCO and legal counsel to ensure that all appropriate legal processes for acquisition and demolition are followed.

While SWIPCO did initially work with the City to prepare and submit the City's application, SWIPCO was not involved after the application was submitted. We contacted SWIPCO to determine why SWIPCO and the City did not work together following the application process. A representative from SWIPCO stated that it was because NPAB were state funds and not federal funds.

As noted in the application the City was to work with legal counsel to ensure that all appropriate legal processes for acquisition and demolition were followed. Based on the documentation provided, an attorney was involved in the preparation of the voluntary acquisition agreements, which will be addressed in more detail below.

IEDA awarded the City \$500,000 on July 8, 2019. The agreement between IEDA and the City was fully executed on August 5, 2019. The agreement was later amended to add an additional \$100,000.00 for a hotel development project. The agreement between the City and IEDA defines costs directly related to the project, which would qualify for reimbursement. According to IEDA officials, because of the disaster, IEDA awarded the funds as a forgivable loan which is allowed under the program. The terms still required any funds used for construction to be repaid by the homeowners who received the funds to the City. The funds were then to be used by the City for future housing projects.

IEDA issued a \$100,000.00 payment advance to the City per its request. However, all other funds were issued on a reimbursement basis. In order to be reimbursed, the City was required to submit a request online using IowaGrants.gov. The reimbursement request was required to include supporting documentation and proof of payment for expense the City was requesting be reimbursed. IEDA staff reviewed the request and supporting documentation. If the records were satisfactory, the reimbursement request was approved, and the requested funds were issued to the City. One of the concerns communicated to our office, was the City did not administer the program. The program was actually administered by the HEDC.

On August 1, 2023, we requested copies of any agreements, meeting minutes, communications, or other records that address the City's decision utilized HEDC for these two programs. We reviewed the information and responses received from both the City and HEDC and found no records addressing the City and HEDC's discussions, decisions, terms/conditions, or limitations related to the City and HEDC working together to facilitate the programs. However, information provided by current City officials and information from HEDC showed HEDC did help administer the program.

In our information request letters to the City and HEDC, we also asked why HEDC administered the NPAB program as well as the Catalyst grant program on behalf of the City. HEDC officials stated that Mayor Crain met with a representative from IEDA to discuss how to administer the Catalyst and Abandoned/Nuisance property programs. HEDC also stated that the IEDA representative "advised using HEDC." When we asked if HEDC consulted an attorney or a governmental agency before getting involved with the program, HEDC stated that the meeting the City had with the IEDA representative was its consultation with a government agency. IEDA officials were unable to confirm if this meeting occurred. As previously stated, HEDC is a separate legal entity from the City.

In HEDC's response to our inquiry, they also stated that following a flood in 2011, the City raised approximately \$56,000.00 to save the emergency levee. However, HEDC stated that the City was "criticized" in an audit after the 2011 flood, "for administering donated funds thru [sic] the City." HEDC officials stated this is the reason Mayor Crain asked IEDA how to administer the program. We reviewed

reports filed with our office and found no findings related to the administering of donated funds. As a result, it is unclear what audit HEDC is referring to.

We asked HEDC if they had received any grant funds from the City prior to the March 2019 flood, HEDC's response was "[N]o." We also asked for procedural and/or internal control records to determine what safeguards and controls were in place to protect state and/or federal funds from loss, irregularities, or errors. HEDC stated that the "[c]lerk would receive invoices, take them to have [sic] HEDC for payment, both entities would make copies, the clerk would upload copies of invoices and check to IEDA, IEDA would send funds to City, City would transfer back fund [sic] to HEDC."

It should be noted that there was a prohibition of the assignment or transferability of the loan in the fully executed agreement between the City and IEDA. As previously stated, there are no contracts, agreements, meeting minutes, or communications that discussed HEDC's role in the NPAB program. Based on a review of the City and HEDC's bank statements, \$500,000.00 of the \$600,000.00 was transferred from the City's bank account to HEDC's bank account for the NPAB program.

According to the City's application, their proposed mediation plan for the nuisance and/or abandoned properties, stated the priority is (1) infill lots, (2) abandoned properties with willing sellers, then (3) commercial and abandoned properties that require enforcement action. The City stated that it would purchase properties "only when a buyer is pre-approved." The NPAB program is intended for residential structures, with an emphasis on single family dwellings and as indicated above, must be documented as presenting a public nuisance.

Additionally, the pre-approval process mentioned by the City is unclear and is not documented. The City and HEDC were unable to provide any information, correspondence, or communications related to the "pre-approvals" mentioned in the City's application.

There were six properties acquired and demolished under this program. As indicated above, the City's application made reference to a "pre-application process." On August 1, 2023, we sent an information request letter to the City and to HEDC asking about the property selection process related to the NPAB program. The City could not locate any records or notes responsive to our inquiry. HEDC stated that properties had to be abandoned or terribly neglected "presenting an eyesore on the community." Further, HEDC stated that properties were identified by physically driving through the community and selecting lots that would have been favorable for potential buyers.

While we specifically asked the City and HEDC for documentation showing the properties selected were documented public nuisances, they did not provide supporting documentation showing these properties were a public nuisance. Because the City or HEDC could not provide support for a preapproval process, stated the properties were selected by driving around, and they could not provide support showing the properties selected were a public nuisance, the City did not comply with the procedures documented in the City's approved application. The following bullets include information on each property which received funding.

- 1002 Argyle – On March 18, 2020 an agreement was entered into by the Hamburg Economic Development Corporation to purchase the property for \$15,000.00. HEDC issued \$15,000.00 tellers check to the Estate which owned the property on June 11, 2020. HEDC did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2020 assessed value of the land and residential building was \$5,230.00 and \$28,980.00 respectively. As of 2021 the building was assessed at \$0.00, and the land was assessed at \$1,960.00. On June 15, 2020, HEDC paid The Lumberjack Co. \$20,000.00 for the demolition of the residential structure. As of the date we ran the report on Beacon (September 7, 2023 and May 6, 2024), the property was still owned by HEDC.
- 1500 Main Street – On August 29, 2019 an agreement was entered into by the Hamburg Economic Development Corporation to purchase the property for \$18,000.00. HEDC issued a \$18,000.00 Teller's check to the owners of the property on August 13, 2019. HEDC did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2019 assessed value of the land and residential building was \$8,410.00 and \$31,140.00

respectively. As of 2020 the building was assessed at \$0.00, and the land was assessed at \$2,940.00. On December 3, 2019, HEDC paid The Lumberjack Co. \$15,000.00 for the demolition of the residential structure. As of the date we ran the report on Beacon (September 7, 2023 and May 6, 2024), the property was still owned by HEDC.

- 1706 Argyle – On June 10, 2020 an agreement was entered into by the Hamburg Economic Development Corporation to purchase the property for \$30,000.00. HEDC issued a \$30,000.00 Teller's check to the owners of the property (Michael M., Dovel) on June 11, 2020. HEDC did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2020 assessed value of the land and residential building was \$4,450.00 and \$32,430.00 respectively. As of 2021 the building was assessed at \$0.00, and the land was assessed at \$1,680.00. On June 15, 2020, HEDC paid The Lumberjack Co. \$12,600.00 for the demolition of the residential structure. As of the date we ran the report on Beacon (September 7, 2023 and May 6, 2024), the property was still owned by HEDC.
- 1909 Main – On March 23, 2020 an agreement was entered into by the Hamburg Economic Development Corporation to purchase the property for \$30,000.00. HEDC issued a \$30,000.00 Teller's check to the owners of the property (Mr. and Mrs. Gregg) on June 15, 2020. HEDC did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2020 assessed value of the land and residential building was \$7,450.00 and \$58,520.00 respectively. As of 2021 the building was assessed at \$0.00, and the land was assessed at \$2,800.00. On June 15, 2020, HEDC paid The Lumberjack Co. \$18,500.00 for the demolition of the residential structure. According to Beacon, the property was sold by HEDC on March 1, 2022 to Tyler Beam for a price of \$232,000.00. Beacon shows the land was valued at \$7,990.00 in 2022 and a residential building was valued at \$192,650.00.
- 1910 Main – An agreement was entered into between M Dovel Estate and the Hamburg Economic Development Corporation to purchase the property for \$5,000.00. According to Beacon the transaction was recorded on March 18, 2020. HEDC did not provide a copy of the agreement, when we requested a copy, and did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2019 assessed value of the land and residential building was \$1,970.00 and \$21,320.00 respectively. As of 2020 the building was assessed at \$0.00, and the land was assessed at \$1,380.00. According to Beacon, the property was sold by HEDC to Russell P. Burns on June 28, 2023 for a price of \$225,000.00. Beacon shows the land was valued at \$4,620.00 and the residential building on the property was valued at \$196,460.00.
- 310 S Street – On March 23, 2020 an agreement was entered into by the Hamburg Economic Development Corporation to purchase the property for \$30,000.00. HEDC issued a \$30,000.00 Teller's check to the owners of the property (Mr. & Mrs. Catlett) on March 31, 2020. HEDC did not provide an appraisal for the property at the time of the purchase. According to Beacon, the 2020 assessed value of the land and residential building was \$9,700.00 and \$28,690.00, respectively. As of 2021 the building was assessed at \$0.00, and the land was assessed at \$3,640.00. On June 8, 2020, HEDC paid The Lumberjack Co. \$10,500.00 for the demolition of the residential structure. According to Beacon, the property was sold by HEDC on July 19, 2022 for \$5,000.00 to the Hampton Community School District. As of the 2024 assessment, a new home has been built on the property and was assessed at 140,000.00 and is still owned by the School District.

For the properties located at 1909 and 1910 main, HEDC obtained a construction loan and built two newly constructed houses. As noted above both houses are now sold. In our information request to HEDC, we requested a listing of all construction costs to determine if HEDC profited from the sales. HEDC did not provide a breakdown of costs, but it did allege that the construction costs were a lot higher than the total sale price on both properties.

Property Acquisition Agreements

In reviewing the property acquisition agreements for the six properties, we identified several findings. As an initial matter, the City was not the purchaser of the properties, it was HEDC. HEDC's involvement in the property acquisition is inconsistent with the City's project plan as outlined in the NPAB application submitted on Iowagrants.gov. Additionally, as indicated above, HEDC's involvement in the program appears to be in violation of the fully executed loan agreement between IEDA and the City, as there was a term that prohibits the assignment or transfer of any portion of the loan, except as expressly stipulated in the agreement. There were no agreement stipulations.

HEDC is identified in the property acquisition agreements as the "purchaser" of all six properties mentioned above. The agreement states that HEDC is "acting pursuant to the terms of the grant agreement with [IEDA] in administering its [NPAB] Remediation Loan Program..." However, HEDC is not a party to the original agreement between the City and IEDA, nor does HEDC have its own agreement with IEDA or any stipulations granting it any authority with respect to the NPAB program.

Additionally, the offer of HEDC to purchase the property was contingent on several conditions. The first condition was the "procurement of Iowa Economic Development funds" from the NPAB program. Based on this condition, if NPAB funds were not available, the properties would not have been purchased. In order for HEDC to receive any portion of the NPAB funds, the City would have had to transfer the funds to HEDC. A review of the City and HEDC's bank statements shows the City did transfer \$500,000.00 of NPAB money to HEDC. As indicated above, this condition is inconsistent with the fully executed loan agreement between IEDA and the City, which contained a term prohibiting the transfer of loan funds.

Although the purchase price is identified on each of the six voluntary purchase agreements; however, we have no appraisal records to support that the purchase price was fair market value (FMV), nor is there any records to support that the properties were documented public nuisances, as required under the NPAB program. We requested property appraisal records or other valuation documents from the City and from HEDC to support the purchase price paid and reimbursed through the NPAB program. The City and HEDC did not provide records that were responsive to our request.

The voluntary purchase agreements include a term that states if the property is an asset of a trust, the purchase agreement shall be subject to court approval, unless declared unnecessary by the buyer's (HEDC) legal department. As indicated above, the estate of the deceased City Council member did sell property. However, HEDC did not provide evidence of court approval or a declaration from HEDC's legal counsel stating it was declared unnecessary.

Lastly, there is a voluntary acquisition term in the agreement. It indicates that the seller acknowledges that HEDC is offering to purchase the property under a voluntary acquisition program and that the buyer's acceptance of this offer is pursuant to Iowa Code section 657A.10A. Iowa Code section 657A.10A(1) states in relevant part following:

The provisions of sections 657A.1A through 657A.10 shall only apply to cities and counties that have, by ordinance, provided that the provisions shall apply.

(Emphasis added). As stated above, HEDC is a nonprofit corporation organized under the Iowa Code provisions of Chapter 504A, it is not a city or county. There is one agreement in which the voluntary acquisition was pursuant to 657A.10B, which addresses petitions to the court by a city or county for title of abandoned property. No petitions or court orders were on file during our review or provide to us during this review. Regardless, HEDC is not a city or county and would not have been able to petition the court under the above respective statutes.

Lastly, we found that on one of the six voluntary purchase agreements between property owners and HEDC, City council member Mr. Benefiel signed the agreement on behalf of HEDC as its "authorized representative."

In addition to the properties discussed above, under the program there were two newly constructed houses on privately held land with sixty percent of the construction costs paid under this program with

the understanding that those funds were to be repaid at closing. Based on the records available and the bank statements, the funds were not repaid. The two properties are discussed in more detail below.

Advanced Homes 360 dba Rural Housing 360

The City stated in its application that it would purchase lots and perform preliminary lot work so the vacant lots were ready for new construction. Properties with abandoned structures were to be demolished and then prepared for construction. There were two privately owned vacant lots that utilized NPAB funds. These lots are discussed below.

1703 Main Street – On June 13, 2019, City council member, Mr. Benefiel, transferred a vacant lot to his daughter Kaitlin Stockstell, and her spouse Daniel Stockstell. The property address is 1703 Main Street, Hamburg, Iowa 51640. We reviewed the record and expressly requested all conflict-of-interest disclosures related to Mr. Benefiel, but no disclosures were on file. The City did provide us with an email from Mayor Crain suggesting that IEDA was aware that Mr. Benefiel was a City Council member and approved the grant. We also requested all conflict-of-interest disclosures from the City and HEDC, but no disclosures were on file.

Kaitlin and Daniel Stockstell (the Stockstells) entered into a construction purchase agreement with Rural Housing 360 on June 24, 2019. The construction costs at the time were \$144,550.00. The City did not acquire this property, did not prepare the land for construction, or have any other involvement with this project.

We reviewed the terms of the agreement between the Rural Housing 360 and the Stockstells. The agreement states that 100% of the total cost was due upon completion and issuance of the occupancy permit. The occupancy permit was signed on March 23, 2020.

Based on the information provided there were 2 claims submitted to IEDA for reimbursement under the NPAB program for the costs related to construction of the home. The invoices are discussed in more detail below.

- June 24, 2019 – The invoice submitted shows a description of “Initial Draw Stockstell House” and “25% Hamburg Emergency Fund Draw for Stockstell House.” The invoice includes the signature of Melinda Gilbert, Treasurer, Hamburg Economic Development Corp. and notes “authorized to wire.” Ms. Gilbert signed the invoice on June 25, 2019. The total amount requested on the invoice was \$36,125.00. On June 25, 2019, a wire transfer was made from Hamburg Economic Devotement to Advanced Homes 360 for \$36,125.00 with an additional \$29.50 wire fee.

As noted above, the contract was not signed until June 24, 2019. On the same day, Advance 360 billed Hamburg Economic Development for 25%. According to the terms of the contract, the 1st draw was to occur “upon completion and issuance of occupancy permit. However, the occupancy permit was signed on March 23, 2020. The contract also states the 2nd draw was to occur “upon completion of the foundation work,” 3rd draw upon completion of setting house on foundation and installation of HVAC Equip” and the 4th draw “at closing.”

- October 9, 2019 – The invoice includes “Second Draw Stockstell House Total Price \$144,500.00.” It also notes “60% Hamburg emergency Fund Draw for Stockstell House (in lieu of construction funding) and a total of \$86,730.00. The amount was reduced for the initial invoice of \$36,125.00 for a total amount to be paid of \$50,605.00. On October 15, 2019, a wire transfer was made from Hamburg Economic Devotement to Advanced Homes 360 for \$50,605.00 with an additional \$29.50 wire fee.

The above listed invoices were the only 2 invoices provided to us by the City and HEDC as part of our request for information.

The total construction costs reimbursed by IEDA for the Stockstell construction was \$86,730.00. It is unclear why Rural Housing 360 issued an invoice to the City as opposed to the Stockstell’s who were

contractually obligated to pay the construction costs. The City was not part of the agreement and there were no communications or correspondence on file addressing the invoice to the City. Although the City of Hamburg was assessed 25% of the Stockstells' construction costs, HEDC made the payment and submitted proof of payment to the City, the City then submitted a request for reimbursement through Iowagrants.gov. Once IEDA staff reviewed and approved the supporting documentation submitted, IEDA reimbursed the City who then transferred the funds to HEDC.

HEDC paid the invoices that the City received from Rural Housing 360, HEDC submitted its proof of payment to the City, the City then put in a reimbursement request through Iowagrants.gov. IEDA staff reviewed the reimbursement requests and approved the payment, which was issued by the state through electronic funds transfer (EFT). Upon receipt of the reimbursement, the City would transfer the funds to HEDC. A total of \$86,730.00 was transferred from the City to HEDC.

Additional documentation that we reviewed shows that NPAB funds actually paid 60% of the Stockstells' construction costs. As previously stated, funds could be used for construction. However, the homeowner was required to pay back the funds to the City. There is no record of the Stockstells' paying the City back for any portion of the grant funds that were paid towards their construction costs by the NPAB program.

Because the construction contract was between Rural Housing 360 and the Stockstells, the Stockstells should have paid 100% of the cost of construction to the City or HEDC.

1005 Argyle – Jason and Kisha Hyde (the Hydes) purchased the property at 1005 Argyle Street, Hamburg, Iowa 51640 for \$3,500.00. The Hydes similarly entered into a construction agreement with Rural Housing 360.

Based on the information provided there were 2 claims submitted to IEDA for reimbursement under the NPAB program for the costs related to construction of the home. The invoices refer to the project as the "Hyde Home." The invoices are discussed in more detail below.

- July 8, 2019 – The invoice submitted shows a description of "25% Hamburg Emergency Fund Draw for Stockstell House." The top of the invoice also includes "For: Hyde House New Construction" at the top of the invoice. The company was also working on the Stockstell house at this time. The invoice also includes "Total Price Prairie Model w/garage 174,286." The total amount requested on the invoice was \$43,576.50. On July 9, 2019 a wire transfer was made from Hamburg Economic Devotement to Advanced Homes 360 for \$43,576.50 with an additional \$29.50 wire fee.
- October 9, 2019 - The invoice submitted shows a description of "60% Hamburg Emergency Fund Draw for Hyde House." The invoice also shows "Stockstell" was crossed off and replaced by Hyde. The total amount requested on the invoice was \$104,571.50 less "Initial Invoice Paid" of \$43,571.50 for a total amount requested of \$61,000.00. On October 15, 2019 a wire transfer was made from Hamburg Economic Devotement to Advanced Homes 360 for \$61,000.00 with an additional \$29.50 wire fee.

The two invoices shown above total \$104,576.50. As noted on the invoice dated July 8, 2019, the cost of the home was \$174,286.00. The total amount paid by HEDC was 60% of the total cost. No additional records were provided indicating who paid the remaining \$69,709.50. According to Beacon, the house was deeded over to the new owners on May 10, 2021 for \$174,286.00. Based on the information on the Beacon website, at no time was the house owned by the City of Hamburg or the HEDC.

The total construction costs reimbursed by IEDA for the Hyde house construction totaled \$104,576.50. HEDC paid the invoices the City received from Rural Housing 360 and submitted its proof of payment to the City. The City then submitted a reimbursement request through Iowagrants.gov to IEDA. IEDA staff reviewed the reimbursement requests, approved the payment, and remitted payment to the City via EFT. Upon receipt of the reimbursement, the City transferred the funds to HEDC.

The City of Hamburg similarly received an invoice for 25% of the total construction costs and a second invoice for an additional 35%. NPAB funds paid a combined 60% of the construction costs on for the Hyde's home construction. As previously stated, funds could be used for construction. However, the homeowner was required to pay back the funds to the City.

On May 13, 2021, a \$104,576.50 deposit was made to the City's account from a Trust Account. The memo on the bank statement notes "1005 ARGYLE STREET HAMBURG, IA KISHA AND JASON HYDE". Based on the memo, the City was repaid for the \$104,576.50 in construction costs. On May 17, 2021, the City transferred the \$104,576.50 to the HEDC.

Because the City drew down the funds from IEDA for the construction costs in July and October 2019 and remitted the funds received from IEDA to the HEDC who paid the construction invoices, the City should have retained the \$104,576.50 from the Hyde's to be used for future projects or to be remitted back to IEDA.

Property acquisition and demolition

Based on the procedures performed we identified several findings related to the property acquisition and demolition portion of the NPAB program. Our findings are broken down by relationships, property acquisition agreements, procurement, property tax abatement, and new construction.

Relationships – The City's NPAB project overview stated that it would purchase certain abandoned/nuisance lots, clear the lots (if needed) for housing development, and work with third parties to ensure that all legal processes are followed. As indicated above, there are six properties that were acquired and demolished as part of the NPAB program.

During our review, we determined that four of the six property owners were the siblings and a parent of the City's Public Works Director, Alan Dovel. A total of \$128,000.00 in NPAB dollars went to property acquisition, and of the \$128,000.00, a total of \$95,000.00 (approx. 75%) were paid out to siblings and a parent of Alan Dovel. We requested copies of all conflict-of-interest disclosures filed with the City and none were provided to us nor were any conflict-of-interest documents on file with IEDA.

Additionally, a different property acquired under this program was owned by a City Council member who became deceased during their respective term. The deceased City Council member's estate sold the property through her administrator. There was no relationship found in any capacity to the sixth property owner.

Procurement – Based on information received from the City, Rural Housing 360 entered into construction agreements with the Stockstells and the Hydies to construct homes on their privately owned lots. On October 18, 2019, the City and Rural Housing 360 signed a letter of engagement to partner together to meet a rural housing need in the community. In the City's Resolution No. 101819, also dated October 18, 2019, the City issued its support for Rural Housing 360's Workforce Housing Tax Credit (WHTC) application. We requested documentation from the City showing the City went out for bid or provided an opportunity to other business to enter into negotiations with the City for this partnership. City officials could not provide records showing the City provided project specifications and invitations for bids to any other entities.

We did not review any records related to WHTC; however, because the NPAB loan is a forgivable loan we know that for purposes of calculating new investment, a forgivable loan cannot be included. We have notified IEDA of this information to ensure any tax credit claimed related to 1703 Main Street and 1002 Argyle Street in Hamburg.

Similarly, Lumberjack Co. performed demolition work on the six properties that HEDC acquired. The total demolition costs paid is \$84,100.00. Similarly, there are no records that show that the City provided project specifications and/or invitations to bi to any other entities.

Property Tax Abatement – On September 10, 2020, the City Clerk, Ms. Owen, sent correspondence to the Fremont County Board of Supervisors stating that the City purchased properties through an IEDA grant [sic] and requested abatement of property tax on the six properties that were acquired and demolished an email to an Iowa League of Cities representative. The total combined dollar amount of the property tax abatement requested by the City was \$4,242.00.

In Ms. Owen’s email, she stated that the City is engaged in the NPAB program through IEDA. She also stated that the funds are being run through HEDC and that five houses were demolished, and the goal is to build five houses. She indicated that she was looking to get property tax abated and wondered if there were any specific statutes that pertain to the City’s request. The Iowa League of Cities responded and identified Iowa Code section 427.10.

As indicated above, HEDC was not the property owner and not the City. The County Board of Supervisors abated the property tax. This ownership discrepancy may not have changed the abatement received; however, we did find that inaccurate information was provided by the City in its abatement request.

Expenses – As stated above, the fully executed agreement between IEDA and the City, dated July 8, 2019, included a loan term that stated IEDA will issue a payment advance to the City in the amount of \$100,000.00. No other funds would be released to the City until the City has submitted documentation to prove that the \$100,000.00 advance was used only to pay costs related to the project. Based on our review, it is unclear what the first \$100,000.00 were spent on, there was no documentation uploaded to Iowagrants.gov to prove what the \$100,000.00 was spent on. In our August 1, 2023, request for records from the City and HEDC, we requested proof of the \$500,000.00 that was transferred to HEDC because the invoices that were uploaded on Iowagrants.gov were incomplete. Some invoices appear to have been paid twice, while other invoices which were uploaded but do not appear to have been paid. HEDC indicated that it would provide us with the records it had; however, the records HEDC provided did not provide us with the information that we needed.

Community Catalyst Building Remediation Grant Program

Iowa Administrative Code section 261-45.1 states that pursuant to Iowa Code section 15.231 and 15.106A, IEDA is directed to establish the Catalyst grant fund for “the purpose of providing grants to cities for the remediation or redevelopment of underutilized buildings.” The Catalyst grant assists communities with redevelopment or rehabilitation of buildings to stimulate economic growth or reinvestment in the community. The Catalyst grant is not a disaster grant program. Similar to the NPAB program, the City applied for this grant following the March 2019 flood as part of its effort to rebuild. The requirements also include:

- The applicant must be a city.
- Forty percent of the Catalyst grant funds are awarded to communities with respective populations under 1,500.
- Funding is awarded the rehabilitation of one commercial building per community, or two building with the same ownership that are adjacent.
- There is a mandatory pre-application process, applications are by invitation only, and the City must provide financial resources. This process is administered by the City with the application selected by the city sent to IEDA.
- The maximum grant amount is \$100,000.00.

The City applied for, and was awarded, a Catalyst grant. In the fully executed award letter dated October 29, 2019, IEDA waived the \$100,000.00 maximum grant amount, single ownership, and adjacent building requirements for the City as a result of the devastating floods. The City was awarded a total of \$400,000.00 under the program. According to IEDA officials, IEDA had previously waived the maximum award requirement for cities which had been affected by a disaster such as the Derecho.

Subsequent to the initial application, the City also submitted a separate Catalyst grant application for the rehabilitation of the community theater. The City was awarded an additional \$100,000.00 Catalyst grant for to rebuild the community theater. We did not have any findings to report on with the Catalyst grant related to the community theater.

Based on discussions with IEDA officials, property owners apply to the City for funding under the program (Preapplication process). These preapplications are scored at the local level and if a passing score is received, applicants were invited to submit an application which is then reviewed by IEDA. There is no appeal process in place in the event an applicant disagrees with the City's scoring. There were five applications from business owners submitted by the City to IEDA. The five applications were as follows:

- 1106 and 1112 Main Street – these two applications were submitted by Kent and Reva Benefiel. At the time the applications were submitted, and grant funds were drawn down from IEDA, the Benefiels' were not the owners of either property.

Iowa Administrative Code section 261-45.4.4(1)“a” states that if the building is owned by an entity other than the city, the respective city must provide information regarding ownership and the relationship with the City.

When we asked IEDA about the ownership requirement, IEDA staff stated that it isn't unusual for purchase agreement contingencies to exist. The purchase of the property may have been contingent on receipt of Catalyst grant funds. While this may be the case, we were not provided any copies of purchase agreements or other documentation showing the purchase of the property was contingent on receiving Catalyst Funds. We were not provided a copy of any purchase agreement for the purchase of the properties. As a result, we cannot determine if there was a contingency clause.

In total \$192,025.56 was reimbursed for costs related to the renovation of these two properties.

We inquired with IEDA about Mr. Benefiel and if there was a conflict of interest on file, IEDA staff indicated that it was their understanding that the conflict was disclosed, and IEDA staff recalled making a suggestion for the City to contact the county attorney.

- 1101 and 1103 Main Street – An application was submitted by Kim and Kevin Johnson for these two properties.

Kim and Kevin Johnson received \$32,756.90. However, information provided as part of the review indicates the Johnson's were not qualified for the grant because they did not provide any financial or in-kind assistance.

- 1111 Main Street – An application was submitted by Matt Skarperued and Laura Frederes for this property. According to the assessor's website, the City obtained the property on July 7, 2020, through either foreclosure, forfeiture, Sheriff and Tax Sale or transfer arising from default. On October 19, 2020, a Quit Claim Deed was recorded transferring the property to Mr. Skarperued and Ms. Frederes. According to the information on the assessors' website, in 2020, the land was valued at \$3,810.00 and the building was valued at \$6,280.00.

Iowa Code section 364.7 outlines the process the City must follow for the sale of land or buildings as follows:

364.7 Disposal of Property. A city may not dispose of an interest in real property by sale, lease for a term of more than three years, or gift, except in accordance with the following procedure:

1. The council shall set forth its proposal in a resolution and shall publish notice as provided in section 362.3, of the resolution and of a date, time and place of a public hearing on the proposal.

2. After the public hearing, the council may make a final determination on the proposal by resolution.
3. A city may not dispose of real property by gift except to a governmental body for a public purpose.

It is unclear why the City filed a “Quit Claim Deed” and transferred the property to Mr. Skarperued and Ms. Frederes. As this results in a gift and violates the *Code of Iowa* as noted in item 3 above.

In total, Matthew Skarperued and Laura Frederes received \$125,285.12 for the rehabilitation of this property.

Matthew Skarperued passed away unexpectedly during the rehabilitation of this property. When Mr. Skarperued passed unexpectedly, Ms. Frederes was no longer going to maintain the property, IEDA determined that it would not require repayment and it was not going to expend additional funds on the Main Street Catalyst grant project. The property remains in Mr. Skarperued and Ms. Frederes names.

- 1105 Main Street – An application was submitted by Stoner Drug for this property. Stoner Drug received \$33,000.00 9300.040 of Catalyst grant funds. However, information provided as part of the review indicates Stoner Drug was not qualified for the grant because they did not provide any financial or in-kind assistance. 2011.012

In total, \$383,067.58 was expended for the five applicants. We determined that the \$383,067.58 was transferred from the City’s bank account to HEDC’s bank account to administer the Catalyst grant program for the Main Street project.

As indicated above, this program also has a prohibition on transfer and reassignment of this grant program. It should be noted that there was a prohibition of the assignment or transferability of the loan in the fully executed agreement between the City and IEDA. Like the NPAB program, there are no contracts, agreements, meeting minutes, or communications that discussed HEDC’s role in the Catalyst program.

Iowa Administrative Code section 261-45.4.4(1)“a” states that if the building is owned by an entity other than the City, the respective city must provide information regarding ownership and the relationship with the City. We did not find any relationship information on file with IEDA for any of the five properties.

Expenses

Pursuant to Iowa Administrative Code rule 261-45.3(6)“a”, the City shall use funds only for reimbursement of the costs directly related to the project. Iowa Administrative Code Rule 261-45.2 defines “costs directly related” as:

[E]xpenditures that are incurred for acquisition, deconstruction, disposal, redevelopment, or rehabilitation of a community catalyst to the extent that the expenditures are attributable directly to the remediation or redevelopment of the community catalyst. “Costs directly related” includes expenditures for site preparation work, surveying, construction materials, construction labor, architectural services, engineering services, building permits, building inspection fees, and interest accrued on a construction loan during the time period allowed for project completion under an agreement entered into pursuant to the program. “Costs directly related” does not include expenditures for furnishings, appliances, accounting services, legal services, loan origination and other financing costs, syndication fees and related costs, developer fees, or the costs associated with selling or renting the dwelling units whether incurred before or after completion of the housing project.

According to IEDA officials, furnishings and appliances allowed as match for the program but cannot be paid for out of Catalyst funds.

IEDA issued a \$50,000.00 payment advance to the City. All other funds were issued on a reimbursement basis. The agreement between the City and IEDA defines costs directly related to the project, which would qualify for reimbursement. The City submits a reimbursement request via lowagrants.gov, it must include detailed invoices and proof of payment. If the records are satisfactory to IEDA program staff, the reimbursement request is approved, and the requested funds are issued to the City.

The agreement between IEDA and the City also states that no expenditures made prior to the date of the award may be included as project costs. In reviewing the invoices, we identified invoices that were included in the City's reimbursement requests that were dated prior to the award date of October 29, 2019 or were not dated at all.

- The City requested reimbursement for \$15,796.75 of costs related to Stoner Drug which were dated prior to October 29, 2019A invoice dated July 1, 2019 for \$178.73 lists 315 S Main Street, Rock Port, MO 64482 as the business address. We determined that this address is also a Stoner Drug location. However, we are unable to determine if the work was completed at the Hamburg location or the location in Missouri. Because these costs were prior to the date of the award, the \$15,796.75 are considered unallowable expense for the Catalyst Grant.
- We also identified several Hamburg Electric, LLC invoices that were uploaded to lowagrants.gov related to applicants Kent and Reva Benefiel and Stoner Drug. Stoner Drug received an estimate on March 9, 2020 to replace a 7.5-ton AC unit. The cost listed on the estimate was \$14,300.00. This estimated amount was paid by HEDC and then submitted to the City with proof of payment. The City uploaded the invoice and proof of payment to IEDA for their review. IEDA approved the invoice and reimbursed the City for the cost. Invoices from Hamburg Electric, LLC related to the Benefiels' businesses totaled \$47,556.91. Hamburg Electric, LLC is a business by Lawrence Buckelew. As stated above, Lawrence Buckelew is a Director of HEDC. We did not find any conflict-of-interest disclosures in the records provided by the City or HEDC or on file with IEDA.

We also asked City officials if the City had or HEDC had provided them supporting documentation tracking the expense for the grants the City received from IEDA but which were administered by HEDC. According to City officials, the City did not maintain any documents they relied on HEDC. HEDC did provide a spreadsheet which include a list of deposits and expenses and a column with the headings "IEDA Catalyst" and "IEDA Nuisance & Abandon" which showed deposits and expense for these grants. **Schedule A** is a copy of this spreadsheet.

The spreadsheet shows that as of September 15, 2022, the IEDA Catalyst grant had unexpended funds of \$38,000.00. However, on September 15, 2022 there is an entry of \$24,120.31 in the Flood Rec/Ho" column which is equal to the amount posted as a reduction of the Catalyst Grant column on September 3, 2022. Had this amount been left under the Catalyst Grant column the balance would have been \$62,120.31.

The **Schedule** shows all funds were expended under the Nuisance and Abandon grant column. However, on April 26, 2022, a \$100,00.00 transfer was made form the Nuisance and Abandon grant column to the" Flood Rec/Ho" column. This column shows a remaining balance of \$162,569.52. Had the transfer not been made the Nuisance and Abandon grant column would have had a balance of \$100,000.00.

We contacted Ms. Gilbert who worked with HEDC during this time to determine why the transfers were made or if they had any documents tracking expense by each grant. As stated previously she declined to talk to us without an attorney present.

Contractor Compliance

Iowa contractor registration was adopted into law in 1988 through *Code of Iowa* Chapter 91C to ensure that employers are being compliant with workers' compensation and unemployment insurance tax laws. Iowa law states that all "construction contractors" and businesses engaging in "construction" work are required to be registered with the Iowa Division of Labor, if they earn \$2,000.00 or more a year. The definition of construction employer is defined in Iowa Administrative Code rule 871-23.82(1). There were several contractors that performed work on the Main Street business sites that were not registered contractors with the State of Iowa as would have been required in this case.

We conducted a public search to determine if the contractors and individuals performing construction work were registered with the Iowa Division of Labor. We could not find any records showing Kuhn Construction, Brad Yost Construction, Midwest Custom Coatings, or Joe Roubinek were registered with the Iowa Division of Labor. These individuals performed commercial construction and roofing work in Iowa and each invoiced and paid more than \$2,000 on these main street properties. As a result, these contractors were required to be registered with the state. In our August 1, 2023 information request letter to the City, we asked the City to provide the contractor registration for these three contractors. The City did not provide information that was responsive to our request. We contacted the Iowa Division of Labor to ensure that these contractors were registered as would have been required; however, the Iowa Division of Labor representative did not find that these contractors were registered.

Hamburg Economic Development Corporation (HEDC)

As stated above, HEDC administered the NPAB and Catalyst (Main Street businesses) grant programs on behalf of the City. On August 1, 2023, we requested agreements, meeting minutes, communications, and any other records that address the discussions and decisions of the City to utilized HEDC for facilitating funds received by the City related to these two programs. We reviewed the meeting minutes, communications, and responses received from both the City and HEDC in response to our records request letter. We found no records or documents which addressed the City and HEDC's discussions, decisions, terms/conditions, or limitations of these two separate entities working together to facilitate the programs.

In our information request letters to the City and HEDC, we also asked why HEDC administered the NPAB program as well as the Catalyst grant program on behalf of the City. HEDC stated that Mayor Crain met with an IEDA official to discuss how to administer the Catalyst and Abandoned/Nuisance property programs. HEDC stated that the IEDA official thought about it for a long time and "advised using HEDC." When we asked if HEDC consulted an attorney or a governmental agency before getting involved with the program, HEDC stated that the meeting that the City had with an IEDA official was its consultation with a government agency. As stated above, HEDC is a separate legal entity from the City.

We asked HEDC if it had received any grant funds from the City prior to the March 2019 flood, HEDC's response was "[N]o." We also asked for procedural and/or internal control records to determine what safeguards and controls that would protect state funds from loss, irregularities, or errors. HEDC stated that the "[c]lerk would receive invoices, take them to have [sic] HEDC for payment, both entities would make copies, clerk would upload copies of invoices and check to IEDA, IEDA would send funds to City, City would transfer back fund [sic] to HED."

Buyout Program

The buyout program required drawing funds from several different pools of grant monies. This includes Hazard Mitigation Grant Program (HMGP), public assistance (PA) grant programs, flood recover funds (FRF), and Community Development Block Grant Disaster Recovery Funds (CDBG-DR). The source of the HMGP and PA grant funds are the Federal Emergency Management Agency (FEMA), which are federal funds. FRF are state dollars, funds are distributed by the Iowa Flood Mitigation Board. The Flood Mitigation Board was created and signed into law in 2012 (*Code of Iowa* Chapter 418).

We reviewed two grant awards the City received under FEMA's HMGP. The HMGP had a federal share (75%) as well as a state and local share. This remains an ongoing project. The buyout program was intended to acquire 74 residential properties in the high-risk flood zones, demolish those structures,

and prohibit future flood zone development (through property deeds) to reduce the chance of future loss, damage, hardship, or other suffering. The property acquisition program was a voluntary acquisition program; the City did not seek to acquire any properties under eminent domain. Houses that were eligible for buyout were those that had flood damage of 50 % or more based on FEMA's calculations. If a resident of the City did not agree with the FEMA calculation, they could file an appeal directly through FEMA. The City worked with SWIPCO on administering this program.

We reviewed correspondence, procurement documentation, contracts and agreements, appraisals, environmental reports, reimbursement requests, invoices, county assessor data, and all other information available to us from HSEMD and from other sources.

The buyout program expenses included paying property sellers fair market value (FMV), title, deed, abstract, appraisals, asbestos testing, asbestos removal (if needed), replacement housing benefits (if applicable), demolition costs, and project delivery costs.

The federal share of the project was 75%. In order for the City to complete the buyout project it obtained funding for the state and local share. The City requested funds from several different programs in order to fully fund the buyout effort. In order to fully understand what funds were used to pay program expenses, we organized the buyout expenses listed above by property and by expense.

In reviewing the property buyout records, the documentation was proper and complete and was reviewed and approved by staff at the Iowa Department of Emergency Management. The residential buyout program is an ongoing program and has not yet concluded. Based on the procedures performed, we have no findings related to this program for the projects selected. However, we cannot draw conclusions for any reimbursement requests submitted following our review.

Community Development Block Grant Disaster Recovery Funds

When the President of the United States of America declares a major disaster, Congress has the ability to appropriate funds to HUD when there are significant unmet needs in impacted and distressed areas for long-term recovery. CDBG-DR can be appropriated towards disaster relief, long-term recovery, restoration of infrastructure, housing, and economic revitalization. Individuals and communities cannot apply for funds. HUD notifies eligible States, cities, and counties of their eligibility and allocates the funds based on unmet recovery needs.

CDBG-DR can supplement other federal assistance programs administered through Federal Emergency Management Agency (FEMA), Small Business Administration (SBA), and the U.S. Army Corps of Engineers (USACE). However, CDBG-DR cannot duplicate available funding from federal, state, private or nonprofit organizations, insurance proceeds or funds from any other source of assistance.

The CDBG-DR program was administered through IEDA. The City received CDBG-DR funds for three need areas: buyouts, infrastructure, and disaster recovery housing.

Buyouts

The City was awarded \$699,311.00 for the buyout project. At the time of this report, \$646,201.00 had been expended under this program. We could only review request for reimbursements, supporting documentation and all other records that were uploaded as of the date of this report. We are unable to make any determinations on any grant funds that have not yet been expended or have not been requested by the city.

As indicated above, the CDBG-DR funds can be used to supplement a federal assistance program through FEMA. The City applied for and was awarded the FEMA HMGP. Here, the City used CDBG-DR funds to pay the state and local portion of the property buyout project. While HSEMD administered the HMGP, IEDA handled the CDBG-DR portion of the grant. All procurement records, invoices, agreements were on file with HSEMD. Based on the procedures performed, we have no findings related

to this program for the projects selected. However, we cannot draw conclusions for any reimbursement requests submitted following our review.

Infrastructure

The City was awarded \$547,429.00 for the infrastructure project. All funds awarded have been expended and this grant project is now closed. The City stated in its application that because of the March 2019 flood, the City lost its water source. A temporary well was put in place and eventually could not run at full capacity. The City received grant dollars from the United States Department of Agriculture (USDA) to build two permanent wells.

As indicated above, we were engaged by IEDA and HSEMD to review specific funding opportunities. We did not review any USDA grants. We did review the CDBG-DR infrastructure records that were available. Records available were complete and well documented. Based on the procedures performed, we have no findings related to this program for the projects selected. However, we cannot draw conclusions for any reimbursement requests submitted following our review.

Housing

The City was awarded \$28,633,216.00 for the housing project which is going currently on.

As part of a Flood Recovery Fund project, the City amended its application to purchase two 10-acre lots, lot parcel number 31031043901000 and 310310398040000. The City stated in its amended application that it would submit offers to two property owners for residential developments. Both properties were approximately 10-acres. The City stated that agricultural land “usually” goes for \$10,000 an acre. However, because the land had potential for residential development and was out of the special flood hazard area the City stated that it would offer an additional \$6,000.00 per acre.

The City was unable to provide any meeting minutes or other documentation within the City that identifies when this decision was made, who within the City made this decision, how these specific properties were selected, and why \$6,000.00 was the amount selected. It should be noted that to date, we have not been provided any appraisal records to verify that \$16,000.00 per acre is fair market value for these respective properties.

Additionally, we looked into whether there was a relationship between the owners of the property and any City officials or staff members that would warrant a conflict-of-interest disclosure. The owner of parcel 310310439010000 is Susan England, et al. We were able to determine if Susan England’s maiden last name was Crain; however, we have not been able to identify close familial relationship between Susan England and Mayor Cathy Crain. Additionally, Susan England serves as Secretary on the Hamburg Public Library Board of Directors.

We were also able to determine parcel number 310310398040000 was owned by Vicki and Erick Sjulín. Vicki Sjulín is the daughter of Clarence and Wilma Hendrickson, the niece of City Council member Ray Hendrickson and the niece of Earl Hendrickson, HEDC Director. We reviewed the records available from the City, HEDC, and IEDA for any conflict-of-interest disclosures and did not find any on file.

Following the City’s acquisition of the two 10-acre lots, in an email dated June 25, 2020 from Mayor Cathy Crain to the IEDA program officer indicated that she [Mayor Crain] spoke to Tamara Brunow, owner of Brunow Construction, and that Ms. Brunow was interested in taking one of the 10-acre lots.

On August 27, 2021, the City issued a public notice in the Hamburg Reporter stating that the City requested a land developer to purchase and develop land for housing. The public notice specifically was for parcel number 310310398040000. The City requested proposals be submitted to the City’s SWIPCO representative, Alexis Fleener.

On September 8, 2021, Brunow Contracting submitted a formal proposal letter offering to purchase parcel number 310310398040000 for \$1.00 an acre. This would make the total price for the land \$10.00. We contacted Ms. Fleener and found that she was no longer with SWIPCO. We contacted the City's current SWIPCO representative to determine if any other formal proposals were received. The representative stated that there were no other offers related to this housing development project.

In reviewing the records, we determined the options agreement signed between the City and Tamco Properties was for parcel number 310310398040000. Tamco Properties is also owned by Tamera Brunow. This is the property that was the initial agreed upon property. In our communications with IEDA, we learned Brunow Contracting actually was constructing the housing development on parcel number 310310439010000. We contacted SWIPCO to determine why the development is now on a different 10-acre lot than originally agreed upon. SWIPCO stated the property was a better lot for development, and it is where the City initially had the temporary well.

Based on our findings, even if the City decided the housing development was better suited on a lot which was not initially on the public notice, the City would have had to reissue the public notice with the corrected information. At this time, we have not received any records which show a public notice was posted with the correct parcel number. Additionally, parcel number 310310398040000 is still owned by TAMCO properties and parcel number 310310439010000 remains under the ownership of the City. As of May 2024, the parcel number was changed to 430430943000000 and 430430863020000, respectively.

We reviewed the invoices that were submitted through Iowagrants.gov for reimbursement. We determined the invoices were not detailed enough for us to determine the work that was completed. We discussed this with IEDA, and they stated they worked with Brunow Contracting to ensure invoices were detailed enough to determine what the expenses were for prior to payment.

Flood Recovery Funds

The flood recovery fund was established in the state treasury under the control of the flood recovery board. The fund shall consist of moneys appropriated to the fund by the general assembly and any other moneys available to, obtained by, or accepted by the board for deposit in the fund. Moneys in the fund are appropriated to Iowa Department of Homeland Security and Emergency Management (HSEMD) and shall be used for the purposes of flood response, flood recovery, or flood mitigation activities within counties designated under FEMA's Individual Assistance Program. As of May 28, 2019, these counties include Fremont, Harrison, Louisa, Mills, Monona, Muscatine, Pottawattamie, Scott, Shelby, and Woodbury. Moneys in the fund shall not supplant any federal disaster recovery moneys.

The City received two FRF grants. Based on the procedures performed, we identified several findings related to the FRF.

Property 1111 Main Street – In addition to the Catalyst grant funds, the City requested FRFs funds to install a new roof on 1111 Main Street. As stated above, Iowa law requires all contractors and businesses performing “construction” work within Iowa to register and renew their registration annually if their earnings are at least \$2,000.00.

The City requested sealed bids for the 1111 Main Street roof project. Three bids were received. We found many similarities between two of the three bids received. The City selected the lowest bid, submitted by Brad Yost Construction for \$39,600.00.

The general bidding requirements indicated the contractor must be skilled and regularly engaged the type of work requested under the contract. The general requirements also indicated the contractor must have a current contractor's license. On October 31, 2023, we contacted the Department of Inspections, Appeals, and Licensing (DIAL) to determine whether Brad Yost Construction was registered as a contractor in 2020. However, there were no registration documents found for Brad Yost Construction on DIAL's contractor registration system.

One of the complaints our office received is that the City paid approximately \$40,000.00 to put a new roof on 1111 Main Street and about a year and a half later, the roof was in bad, damaged condition. We reviewed a Google earth satellite image which occurred on September 7, 2022. The roof condition from a visual appearance alone appears to be in poor and dilapidated condition. There were no agreements on file between the City and Brad Yost Construction and we were unable to determine whether the roof was under warranty.

Similar to the buyout program, the City also used flood recovery funds to purchase commercial properties that it stated had flood damage and black mold following the March 2019 flood. The intention was to demolish the structures. The City did not provide any records or other documents indicating there was black mold or flood damage at these commercial properties.

We identified after the City purchased the properties, the property was transferred to Jacob and Paige Jones via quit claim deed and a building was constructed. We were informed that Paige Jones is the daughter of Alan Dovel, the City's Public Works Director.

We were unable to determine how Jacob and Paige Jones acquired the property and what they paid for the property, nor do we have any information regarding the construction of the new property.

GoFundMe / Donations

Following the flood, the City requested donations to help rebuild the City. A GoFundMe account was set up for electronic donations on March 21, 2019. Information located on the GoFundMe page notes the beneficiary on the account is Sheryl Owen, the previous City Clerk. Since the account was set up by the former clerk and was to raise funds for the City, all funds should have been deposited into a City account and recorded in the City's accounting system. However, further review shows that these funds were deposited in HEDC's bank account.

Because the funds were to rebuild the City, the donations should have been tracked separately and expensed only for the designated purpose. All expense of these funds should have been approved by the City Council and supported by adequate documentation.

In addition, the City also had a webpage setup on its website asking for checks to be mailed to the address listed below for those who were interested in making a donation via check. The webpage did not have a locatable date listed.

- Hamburg Economic Development Fund
- Hamburg City Hall
- 1201 Main Street
- Hamburg, IA 51640

Since the webpage shows all payments were to be sent to City Hall, all funds should have been deposited into a City account and recorded in the City's accounting system. Because the donations were to rebuild the City, the donations should have been tracked separately and expensed only for the designated purpose. All expense of these funds should have been approved by the City Council and supported by adequate documentation.

Approximately \$200,000.00 was collected in donations and gifts following the flood. However, the donations collected were deposited into HEDC's bank account and not the City's bank account. City officials were unable to provide a reason why the funds were deposited into HEDC's account. We requested the bank statements, redeemed check images, and deposit detail for the HEDC bank account. We reviewed the cashed check images and determined that HEDC cashed 19 checks written out specifically to the City totaling \$23,690.17. The \$23,690.17 should have been deposited with the City.

Other Findings

During the course of our investigation, we identified additional findings related to the City's bank account. As indicated above, the City transferred NPAB and Catalyst program grant dollars to HEDC. In reviewing the internal transfers made by the City to HEDC, we found a duplicate and unexplained transfer from the City to HEDC.

The State issued a \$50,000.00 advance of the Catalyst grant to the City on December 20, 2019. On February 13, 2020, Ms. Owen performed a phone internal bank transfer to transfer the \$50,000.00 to HEDC. The transaction description read as follows, "SHERYL - PER PHONE DOWNTOWN CAT." On April 29, 2020, there was another internal transfer of \$50,000.00. The transaction description here read "PHONE / SHERYL 0 TRANSFER BY M GILBERT - TO HED." The City and HEDC did not provide any supporting documentation for the April 29, 2020 payment of \$50,000.00.

Oversight – City officials have a fiduciary responsibility to exercise authority over its funds, efficiently and effectively achieve its mission, provide oversight of the City's operations, and maintain the public trust. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Based on our review, we determined the City officials did not provide sufficient oversight of the City's administration and financial transactions related to the Nuisance Property and Abandoned Building Remediation Loan Program and the Community Catalyst Building Remediation Grant Program. City officials did not provide oversight to these programs including:

- Require and maintain original, itemized receipts for all disbursements.
- Review and approve the supporting documentation to ensure the disbursements complied with the requirements of the program.
- Enter into an agreement with the HEDC for administration of the programs.
- Ensuring HEDC had the necessary controls in place to help administer these programs.

Oversight procedures ensure sufficient controls are in place over items which are susceptible to loss or improper use, such as credit cards. Oversight procedures also ensure timesheets are reviewed in a manner in which hours reported in excess of the amount authorized by the City Council would be identified prior to approval of the timesheet and preparation of the related payroll check.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City for disbursements and to submit reimbursement requests to IEDA and HSEMD. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss as a result of errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be identified within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen internal controls.

- A. Oversight by City Officials – City officials have 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.

Based on our observations and the procedures we performed, we determined that City officials failed to exercise proper fiduciary oversight. The lack of appropriate oversight and the failure to ensure implementation of adequate internal controls permitted officials and employees to have too much control over some of the above-referenced programs. For example:

- The City did not have a written agreement with HEDC to administer the Catalyst and NPAB programs.

- Three siblings and a parent of Mr. Dovel (the City's public works director at the time) received a majority NPAB funds available through the City's nuisance property acquisition. The City could not provide any circumflect of interest policies or other support showing IEDA was made aware for the potential conflicts.
- The City could not provide any documentation that shows that any of the properties were documented public nuisance, nor did we receive any records that show if other property owners within the City had a similar opportunity to sell their property to the City under the NPAB program. Mr. Benefiel's, City council member, daughter also was a beneficiary of the program by having 60% of her construction costs paid under the NPAB program. We did receive information that Jason and Kisha Hyde, may have been friends of Mr. Benefiel. Additionally, construction cost coverage of lots not purchased by the City was improper under the NPAB program and it also does not meet program requirements.

Recommendation – Oversight by City officials is essential and should be an ongoing effort. City officials should exercise due care and act in the best interest of the City, not their own private interest or advantage. City officials should also ensure sufficient information is prepared and maintained related to all decision-making. The City submitted a conflict-of-interest policy to HSEMD that specifically addressed receipt of federal funds. The City should maintain a conflict-of-interest policy that is comprehensive.

The City should contact IEDA and its attorney to determine the appropriate course of action moving forward following the findings identified above.

- B. Supporting documentation – During our review of the City's grant applications, disbursements, reimbursement requests, the City's actions, and decision making, we determined that the City did not maintain adequate records to explain its actions and consistently support costs for which the City was reimbursed for.

Recommendations – The City was contractually obligated to maintain its books and records. For example, the NPAB grant agreement included the following term:

13. Records. The Recipient is required to maintain its books, records and all other evidence pertaining to this Agreement in accordance with generally accepted accounting principles and such other procedures specified by IEDA Records to verify compliance with the terms of this Agreement shall be available at all times and made available to IEDA and its designees at places and times designated by IEDA for the duration of this Agreement and any extensions thereof Recipient shall make its records available to (i) IEDA, (ii) IEDA's internal or external auditors, agents and designees, (in) the Auditor of the State of Iowa, the Attorney General of the State of Iowa, (iv) the Iowa Division of Criminal Investigations and any other applicable law enforcement agencies Recipient shall retain the records for a period of three (3) years from the fulfillment of obligations under this Agreement, unless the records are the subject of an audit, investigation, or administrative or legal proceeding In those instances, the records shall be retained until the audit, investigation or proceeding has been resolved

City officials should implement policies and procedures to ensure sufficient supporting documentation is maintained for all disbursements and decisions made, including but not limited to, procurement, public notices (if required), changes in project plans, decision-making discussions, and financial transfers of the City's funds. City officials should also ensure the policies and procedures adopted, implemented, and monitored to ensure compliance with Iowa laws and the terms of the agreements that it enters into.

C. Disbursements – During our review of the grant related transactions, the following conditions were identified:

- Not all disbursements were approved by the City Council.
- Disbursements were not consistently supported by invoices, appraisals, or other applicable documentation.
- There were inconsistencies in the program cost records and explanations received from the City and HEDC from that of IEDA or HSEMD.
- Several payments issued by the City to HEDC were duplicative and were not refunded.
- HEDC did not have internal controls in place to guard donations and grant dollars given to the City.
- Some disbursements from the City’s bank account did not have an explanation.

Recommendation – All City disbursements should be approved by the City Council prior to payment, with the exception of those that are routine, repetitive, and specifically allowed by a City Council approved policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

To strengthen internal control, each check should be prepared and signed by one person and detailed supporting vouchers and invoices should be provided, along with the check, to an independent individual for review and countersignature.

D. Nuisance Property and Abandoned Building Remediation Loan Program – Under the program the City is allowed to use funds for construction. However, if the home is privately owned, the homeowner is required to repay the funds after closing and the City is to use the funds for future housing programs.

- For one construction project the City was unable to provide support showing the \$86,730.00 of NPAB funds used for construction were repaid to the City.
- In May 2021, the City received \$104,576.50 from homeowners for the required repayment of construction costs advanced by the City and IEDA under the NPAB program. The City had previously transferred \$104,576.50 to HEDC for the construction costs related to the property in 2019. Because the City had already paid the construction costs, the City should have retained the \$104,576.50 received in May 2021.

Recommendation – The City should work with legal counsel and IEDA, the original granting agency, to seek repayment of the \$86,730.00 and the \$104,576.50 of NPAB funds used for construction.

Report on Special Investigation of the
Nuisance Property and Abandoned Building Forgivable Loan,
Community Catalyst Building Remediation Grant,
Community Development Block Grant Disaster Recovery, and
Residential and Commercial Buyout Grants

Awarded to
City of Hamburg

Report on Special Investigation of the
Nuisance Property and Abandoned Building Forgivable Loan,
Community Catalyst Building Remediation Grant,
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Schedule of Hamburg Economic Development Receipts and Disbursements
For the period March 1, 2019 through August 31, 2023

Date	Type	Description	For What	Amount
03/20/19	Dep	Flood Rec	PayPal	\$ 0.10
03/20/19	Dep	Flood Rec	PayPal	0.20
03/20/19	Dep	Flood Rec		3,750.00
03/22/19	Dep	Flood Rec		45.00
03/22/19	Dep	Flood Rec		200.00
03/22/19	Dep	Flood Rec		300.00
03/25/19	Dep	Flood Rec		20.00
03/25/19	W/D	Flood Rec		(2,296.00)
03/25/19	Dep	Flood Rec		2,296.00
03/26/19	Dep	Flood Rec		50.00
03/28/19	Dep	Flood Rec		40.00
03/28/19	Dep	Flood Rec		200.00
03/28/19	Dep	Flood Rec		1,000.00
03/29/19	Dep	Flood Rec		60.00
03/29/19	Dep	Flood Rec		350.00
03/29/19	Dep	Flood Rec		400.00
03/20/19	W/D	PayPal		(0.30)
04/01/19	Dep	Flood Rec		800.00
04/01/19	Dep	Flood Rec		1,000.00
04/02/19	Dep	Flood Rec		3,035.01

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							0.10				
							0.20				
							3,750.00				
							45.00				
							200.00				
							300.00				
							20.00				
							(2,296.00)				
							2,296.00				
							50.00				
							40.00				
							200.00				
							1,000.00				
							60.00				
							350.00				
							400.00				
							(0.30)				
							800.00				
							1,000.00				
							3,035.01				

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Date	Type	Description	For What	Amount
04/04/19	Dep	Flood Rec		100.00
04/05/19	Dep	Flood Rec		125.00
04/08/19	Dep	Flood Rec		500.00
04/10/19	Dep	Flood Rec		450.00
04/15/19	Dep	Flood Rec		1,000.00
04/15/19	Dep	Flood Rec		2,070.00
04/17/19	Dep	Flood Rec		500.00
04/18/19	Dep	Flood Rec		5,000.00
04/24/19	Dep	Flood Rec		30.00
04/24/19	Dep	Flood Rec		205.00
04/26/19	Dep	Flood Rec		5,600.00
05/02/19	Dep	Flood Rec		16,470.00
05/03/19	Dep	Flood Rec		100.00
05/20/19	Dep	Flood Rec		2,205.00
05/21/19	Dep	Flood Rec		965.00
05/23/19	Dep	Flood Rec		5,000.00
06/03/19	Dep	Flood Rec		500.00
06/04/19	Dep	Flood Rec		3,235.34
06/13/19	Dep	Flood Rec		646.00
06/25/19	Dep	Flood Rec		350.00

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							100.00				
							125.00				
							500.00				
							450.00				
							1,000.00				
							2,070.00				
							500.00				
							5,000.00				
							30.00				
							205.00				
							5,600.00				
							16,470.00				
							100.00				
							2,205.00				
							965.00				
							5,000.00				
							500.00				
							3,235.34				
							646.00				
							350.00				

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Schedule of Hamburg Economic Development Receipts and Disbursements
For the period March 1, 2019 through August 31, 2023

Date	Type	Description	For What	Amount
06/25/19	CK	Stockstell house		(36,125.00)
07/09/19	trans	Sheryl O		2,400.00
07/01/19	Dep	Flood Rec		56.37
07/11/19	Dep	Flood rec		709.83
07/15/19	Dep	Flood rec		100.00
07/22/19	Dep	Flood rec		10,000.00
07/30/19	Dep	Flood rec		1,351.00
07/09/19	wire	Hyde house		(43,576.50)
08/12/19	Dep	Flood Rec		10,000.00
08/13/19	Dep	transfer by Sheryl		100,000.00
08/20/19	Dep	Flood Rec		20,000.00
08/29/19	Dep	WEPAY		8,781.76
08/13/19	CK	Murl Dovel		(5,000.00)
08/13/19	CK	Augustina Arroyo		(18,000.00)
09/03/19	Dep	WEPAY		9.41
09/25/19	Dep	Flood Rec		164.00
09/26/19	Dep	WEPAY		145.35
10/07/19	Dep	WEPAY		14.26
10/22/19	Dep	WEPAY		16.21
10/22/19	Dep	Flood Rec		1,250.00

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
										(36,125.00)	
							2,400.00				
							56.37				
							709.83				
							100.00				
							10,000.00				
							1,351.00				
										(43,576.50)	
							10,000.00				
									100,000.00		
							20,000.00				
							8,781.76				
										(5,000.00)	
										(18,000.00)	
							9.41				
							164.00				
							145.35				
							14.26				
							16.21				
							1,250.00				

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Date	Type	Description	For What	Amount
10/15/19	Wire	Stockstell		(50,605.00)
10/15/19	Wire	Hyde house		(61,000.00)
10/15/19	Fee	outgoing wire		(29.50)
10/15/19	Fee	outgoing wire		(29.50)
08/13/19	Fee	outgoing wire		(29.50)
08/13/19	Fee	outgoing wire		(29.50)
11/18/19	trans	fr Downtown		(7,320.00)
11/18/19	trans	frHorizons		(5,750.00)
11/18/19	trans	fr pool		(2,575.00)
11/18/19	trans	fr pool		(1,716.20)
11/18/19	trans	fr pool		(2,306.99)
11/18/19	trans	fr Misc		(7,283.47)
11/18/19	trans	fr misc to clean up		900.00
11/18/19	trans	fr Misc to Flood Rec		(634.60)
11/18/19	trans	fr Parks to Flood Rec		(600.00)
11/18/19	trans	fr Nalley to Flood Rec		(264.78)
11/18/19	trans	fr Pool to Flood Rec		(4,132.73)
12/02/19	trans	fr City of Hamburg		214,302.00
12/03/19	ck	The Lumberjack		(7,500.00)
12/03/19	ck	The Lumberjack		(15,000.00)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
										(50,605.00)	
										(61,000.00)	
										(29.50)	
										(29.50)	
										(29.50)	
										(29.50)	
							7,320.00		(7,320.00)		
				(5,750.00)			5,750.00				
		2,575.00									
1,716.20											
							2,306.99				
	(7,283.47)										7,283.47
	(900.00)		900.00								
							634.60				
						(600.00)	600.00				
							264.78	(264.78)			
							4,132.73				
										214,302.00	
										(7,500.00)	
										(15,000.00)	

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Date	Type	Description	For What	Amount
12/09/19	Dep	Network for Good		235.00
01/21/20	Dep	unknown		100.00
02/05/20	Dep	ACH credit		96.80
02/13/20	Trans	fr Downtown Cat		50,000.00
02/24/20	WD	Kuhns Construction	Benefiel bldg	(7,939.93)
				132.13
03/16/20	WD	Kuhns Construction	Benefiel bldg	(6,208.00)
03/31/20	ck	Dovel Properties LLC	Purch Main St	(30,092.20)
04/14/20	ck	Kevin & Kim Johnson	Bishop Repair	(4,356.90)
04/14/20	ck	Midwest Custom Co	Awesome - Roof	(13,300.00)
04/14/20	ck	Kuhns Construction	Benefiel bldg	(26,348.45)
04/14/20	ck	Stoner Drug	repairs	(33,000.00)
04/22/20	dep	transfer		70.00
04/29/20	dep	transfer	Per Sheryl	50,000.00
05/07/20	dep	Incoming wire	Credit advance	83,230.00
05/11/20	wd	Kuhns Construction	Benefiel bldg	(19,921.82)
05/12/20	wd	Lumberjack	Lumber yard	(6,500.00)
05/07/20	wd	wire transfer fee		(15.00)
06/02/20	wd	Kuhns Construction	Benefiel bldg	(14,925.53)
06/08/20	wd	?	?	(10,500.00)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							235.00				
							100.00				
							96.80				
									50,000.00		
									(7,939.93)		
									(6,208.00)		
										(30,092.20)	
									(4,356.90)		
									(13,300.00)		
									(26,348.45)		
									(33,000.00)		
							70.00				
							50,000.00				
							83,230.00				
									(19,921.82)		
										(6,500.00)	
							(15.00)				
									(14,925.53)		
										(10,500.00)	

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Date	Type	Description	For What	Amount
06/11/20	wd	Mary Perry Estate	1002 Argyle	(15,000.00)
06/11/20	wd	Michael M Dovel	1706 Argyle	(30,000.00)
06/15/20	wd	Lumberjack	1706 Argyle	(12,600.00)
06/15/20	wd	Lumberjack	1909 Main	(18,500.00)
06/15/20	wd	Lumberjack	1002 Argyle	(20,000.00)
06/15/20	wd	Pat & Theresa Gregg	1909 Main	(30,000.00)
07/01/20	wd	Kuhns Construction	Benefiel bldg	(4,347.24)
07/16/20	dep	City of Hamburg		61,075.10
07/16/20	dep	City of Hamburg		185,698.00
07/22/20	wd	Kuhn Construction	Benefiel bldg	(4,503.00)
08/10/20	wd	Kuhn Construction	Benefiel bldg	(6,411.80)
08/12/20	wd	Kuhn Construction	Benefiel bldg	(6,439.21)
08/27/20	wd	Kuhn Construction	Benefiel bldg	(5,450.00)
08/27/20	wd	Kuhn Construction	Benefiel bldg	(1,875.00)
08/28/20	wd	?	?	(7,246.21)
09/11/20	wd	Kuhn Construction	Benefiel bldg	(8,937.84)
09/16/20	wd	Hamburg Electric	1106 Main	(12,500.00)
09/25/20	wd	Kuhn Construction	1112 & 1106 Main	(15,815.54)
10/07/20	wd	Central States Telecom	Benefiel bldg	(2,002.00)
10/13/20	wd	Kuhn Construction	1106 Main	(16,237.77)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
										(15,000.00)	
										(30,000.00)	
										(12,600.00)	
										(18,500.00)	
										(20,000.00)	
										(30,000.00)	
									(4,347.24)		
									61,075.10		
										185,968.00	
									(4,503.00)		
									(6,411.80)		
									(6,439.21)		
									(5,450.00)		
									(1,875.00)		
									(7,246.21)		
									(8,937.84)		
									(12,500.00)		
									(15,815.54)		
									(2,002.00)		
									(16,237.77)		

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Date	Type	Description	For What	Amount
10/26/20	wd	Kuhn Construction	1106 Main	(15,100.00)
11/05/20	wd	Kuhn Construction	1106 Main	(11,978.89)
11/16/20	wd	?	?	(18,629.00)
11/16/20	wd	Brad Yost	Golf Club	(21,400.00)
11/24/20	wd	Brad Yost	Golf Club	(2,500.00)
12/04/20	wd	Kuhn Construction	Benefiel bldg	(2,776.99)
12/04/20	wd	Hamburg Electric	1106 Main St	(20,143.38)
12/08/20	wd	Lawrence Buckalew	House plans	(3,110.00)
12/08/20	wd	Kuhn Construction	Benefiel bldg	(5,454.58)
01/07/21	wd	Brad Yost	S'B City hall bill	(870.00)
01/07/21	wd	Kuhn Construction	1106 Main	(2,556.58)
01/12/21	transfer	Sheryl Owen		170,607.36
01/19/21	wd	Laura Frederes	1111 Main St	(925.35)
01/19/21	wd	George Tappen	1111 Main St	(120.00)
01/21/21	wd	H&S Foundation	foundations-Main St	(51,660.00)
01/26/21	wd	Hamburg Electric	1909 & 1910 Main	(1,994.24)
01/26/21	wd	Lumber Jack	tree removal	(2,500.00)
02/24/21	dep			270.00
03/03/21	wd	Dovel Construction	1909 & 1910 Main	(6,000.00)
03/03/21	wd	Brad Yost	1111 Main St	(7,000.00)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
									(15,100.00)		
									(11,978.89)		
										(18,629.00)	
									(21,400.00)		
									(2,500.00)		
									(2,776.99)		
									(20,143.38)		
							(3,110.00)				
									(5,454.58)		
									(870.00)		
									(2,556.58)		
									170,607.36		
									(925.35)		
									(120.00)		
							(51,660.00)				
							(1,994.24)				
							(2,500.00)				
							270.00				
							(6,000.00)				
									(7,000.00)		

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Date	Type	Description	For What	Amount
03/04/21	wd	Goetz Foundation	1109 & 1910	(1,057.00)
03/09/21	wd	Millard Lumber	1909 Main St	(5,232.65)
03/09/21	wd	Mead Lumber	1909 Main St	(842.79)
03/10/21	wd	Laura Frederes	Golf	(7,700.91)
03/29/21	wd	Oswald Crow Ins	1909 & 1910 Main	(740.00)
03/31/21	wd	JW Graber	1909 & 1910 Main	(29,850.00)
04/21/21	WD	Jose Hernandez	1909 & 1910 Main	(3,270.00)
04/21/21	wd	Benefiel Towing	1909 & 1910 Main	(2,985.00)
04/21/21	wd	Don's Johns	1909 & 1910 Main	(221.50)
04/27/21	transfer	City Pool funds	from HED	(10,730.92)
04/27/21	ck	Fre Co Treasurer	1909 Main taxes	(1,312.00)
04/27/21	ck	Fre Co Treasurer	1910 Main taxes	(462.00)
04/28/21	Wd	Matt Skarperud	Golf Club	(1,087.73)
04/29/21	wd	Hodges Construction	1909 & 1910 Main	(9,180.00)
05/04/21	wd	Fre Co Recorder	1910 Main-mortgage	(57.00)
05/04/21	wd	Fre Co Recorder	1910 Main-Assign	(37.00)
05/04/21	wd	Fre Co Recorder	1909 Main-Mortgage	(57.00)
05/04/21	ADV	1909 Main St	Ln 12210019134	57.00
05/04/21	wd	Fremont Co Recorder	1909 Main St	(57.00)
05/04/21	wd	Fre Co Recorder	1909 Main-Assign	(37.00)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							(1,057.00)				
							(5,232.65)				
							(842.79)				
									(7,700.91)		
							(740.00)				
							(29,850.00)				
							(3,270.00)				
							(2,985.00)				
							(221.50)				
							(10,730.92)				
							(1,312.00)				
							(462.00)				
									(1,087.73)		
							(9,180.00)				
							(57.00)				
							(37.00)				
							(57.00)				
							57.00				
							(57.00)				
							(37.00)				

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Date	Type	Description	For What	Amount
05/06/21	ADV	12210019133	1910 Main St	21,490.00
05/06/21	ADV	12210019134	1909 Main St	62,960.00
05/06/21	ck	Mead Lumber	1909&1910 Main	(84,449.95)
05/06/21	ADV	12210019133	1910 Main St	5,608.73
05/06/21	ADV	12210019134	1909 Main	6,891.55
05/06/21	ck	Mead Lumber	1909 & 1910 Main St	(9,720.73)
05/06/21	ck	Hallett Materials	1909 & 1910 Main	(2,779.55)
05/17/01	ck	Johnson Law	1909 Abstract	(345.00)
05/07/21	ck	Johnson Law	1910 Abstract	(345.00)
05/10/21	ck	Laura Frederes	Golf Club	(4,742.68)
05/12/21	ck	Cabinet Factory Outlet	1909 Main St	(7,000.00)
05/13/21	ADV	12210019133	1909 Main St	7,000.00
05/17/21	transfer	fr Hyde closing	1005 Argyle St	104,576.50
05/17/21	ck 101	West Bend Mut Ins Co	liability ins	(450.00)
05/18/21	ACH	Deluxe cks	HED	(31.45)
05/19/21	payt	pay loan 12210019133	1910 Main	(27,128.08)
05/19/21	payt	pay ln 12210019134	1909 Main	(76,930.38)
05/19/21	wd	Brad Yost Constr	1909 & 1910 Main	(2,500.00)
06/02/21	wd	Water heaters - 4	Apt, Club,Golf Barn	(1,283.87)
06/08/21	CK 102	Inv 6242374	1909 Main St	(260.76)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							21,490.00				
							62,960.00				
							(84,449.95)				
							5,608.73				
							6,891.55				
							(9,720.73)				
							(2,779.55)				
							(345.00)				
							(345.00)				
									(4,742.68)		
							(7,000.00)				
							7,000.00				
										104,576.50	
							(450.00)				
							(31.45)				
							(27,128.08)				
							(76,930.38)				
							(2,500.00)				
									(1,283.87)		
							(260.76)				

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Date	Type	Description	For What	Amount
06/18/21	ADV	Hodges Construction	1910 Main	11,385.00
06/18/21	ADV	Hodges Construction	1909 Main	14,275.00
06/18/21	CK 103	Concrete	1909 & 1910 Main St	(25,660.00)
07/23/21	ck 104	Laura Skarperud	1111 Main St	(6,327.87)
07/23/21	payt	Loan 12210019133	1910 Main	(11,391.94)
07/23/21	payt	Loan 12210019134	1909 Main St	(14,275.00)
08/02/21	ck	Matt Skarperud	1111 Main St	(4,607.44)
08/03/21	int payt	GWB	LN 12210019134	(0.04)
08/03/21	Int Payt	GWB	LN 12210019133	(0.04)
08/03/21	ADV	Hamburg Elec & Pl	LN 12210019133	15,000.00
08/03/21	ADV	Hamburg Elec & Pl	LN 12210019134	12,000.00
08/03/21	ck 105	Hamburg Elec & Pl	1910 Main St	(12,000.00)
08/03/21	ck 106	Hamburg Elec & Pl	1909 Main St	(15,000.00)
08/09/21	ck 107	Mead Lumber	1909 Main St	(601.80)
08/09/21		Mead Lumber	1910 Main St	(605.12)
08/09/21	ck 108	Matt Skarperud	1111 Main St	(6,936.34)
08/09/21	ADV	Ln 12210019133	1909 Main	601.80
08/09/21	ADV	Ln 12210019134	1910 Main St	605.12
08/11/21	ck109	Brad Yost	1909 Main	(1,540.00)
08/11/21	ADV	LN 12210019133	1909 Main St	1,540.00

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							11,385.00				
							14,275.00				
							(25,660.00)				
									(6,327.87)		
							(11,391.94)				
							(14,275.00)				
									(4,607.44)		
							(0.04)				
							(0.04)				
							15,000.00				
							12,000.00				
							(12,000.00)				
							(15,000.00)				
							(601.80)				
							(605.12)				
									(6,936.34)		
							601.80				
							605.12				
							(1,540.00)				
							1,540.00				

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Date	Type	Description	For What	Amount
	ADV	Ln 12210019134	1910 Main St	1,280.00
08/11/21	ck 110	Brad Yost	1910 Main St	(1,280.00)
08/16/21	ck 111	Matt Skarperud	1111 Main St	(7,263.80)
08/25/21	ck 112	Matt Skarperud	1111 Main St	(4,793.66)
09/08/21	Payt	Matt Skarperud	1111 Main St	(1,351.74)
09/15/21	ck 113	Mead Lumber	1909 Main St	(12,794.55)
09/15/21	ADV	Ln 12210019133	1909 Main St	12,794.55
09/15/21	Int payt	Ln 12210019133	1909 Main St	(65.24)
09/15/21	Int payt	Ln 12210019134	1910 Main St	(52.83)
09/16/21	ck 114	The Lumberjack Co	1909 Main St	(400.00)
09/22/21	ck 115	Hodges Construction	1909 Main St	(4,711.34)
09/22/21		Hodges Construction	1910 Main St	(2,600.00)
09/22/21	ADV	12210019133	1909 Main	4,711.34
09/22/21	ADV	12210019134	1910 Main St	2,600.00
09/22/21	cc	Matt Skarperud	Golf	(4,560.74)
10/04/21	ck 116	Matt Skarperud	Golf	(14,134.27)
10/04/21	ck 117	Cabinet Factory Outlet	1909 Main St	(7,359.61)
10/05/21	ADV	Ln 12210019133	1909 Main St	7,359.61
10/13/21	ck118	Vern Christiansen	1909 Main St	(2,664.75)
10/13/21	ADV	Ln 12210019133	1909 Main St	2,664.75

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							1,280.00				
							(1,280.00)				
									(7,263.80)		
									(4,793.66)		
									(1,351.74)		
							(12,794.55)				
							12,794.55				
							(65.24)				
							(52.83)				
							(400.00)				
							(4,711.34)				
							(2,600.00)				
							4,711.34				
							2,600.00				
									(4,560.74)		
									(14,134.27)		
							(7,359.61)				
							7,359.61				
							(2,664.75)				
							2,664.75				

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Date	Type	Description	For What	Amount
10/13/21	ck 119	Mead Lumber	1909 & 1910 Main St	(218.36)
10/15/21	ck 120	Premier	1909 Main St	(4,139.38)
10/15/21	ADV	Ln 12210019133	1909 Main St	4,139.38
10/19/21	ck 121	Matt Skarperud	Golf bldg	(3,236.45)
10/21/21	ck 122	Marty Bohlen Drywall	1909 Main St	(13,005.00)
10/21/21	ADV	Ln 12210019133	1909 Main St	13,005.00
10/25/21	ck 123	Fre Co Treasurer	Drainage tax-all	(89.17)
10/26/21	ck 124	Brad Yost	1909 Main	(3,211.60)
11/02/21	ck 125	Fre Co Treasurer	RE Taxes - all	(1,678.00)
11/02/21	transfer	Loan Interest	12210019134	(71.48)
11/02/21	transfer	Loan Interest	12210019133	(197.13)
11/02/21	ADV	Ln 12210019133	1909 Main St	3,211.60
11/04/21	ck 126	Mead Lumber	1909/1910 Main	(12,572.50)
11/05/21	ADV	Ln 12210019133	1909 Main St	11,607.39
11/05/21	ADV	LN 12210019134	1910 Main St	965.11
11/10/21	ck #132	Premier Countertops	1909 Main St	(3,024.71)
11/09/21	ADV	LN 12210019133	19096 Main St	6,985.25
11/10/21	ADV	LN 12210019133	1909 Main St	3,024.71
12/03/21	CC	Vern Christiansen	1910 Main St	(2,000.00)
12/06/21	ck # 133	Mead Lumber	1909 & 1910 Main	(9,153.49)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							(218.36)				
							(4,139.38)				
							4,139.38				
									(3,236.45)		
							(13,005.00)				
							13,005.00				
							(89.17)				
							(3,211.60)				
							(1,678.00)				
							(71.48)				
							(197.13)				
							3,211.60				
							(12,572.50)				
							11,607.39				
							965.11				
							(3,024.71)				
							6,985.25				
							3,024.71				
							(2,000.00)				
							(9,153.49)				

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Date	Type	Description	For What	Amount
12/06/21	ADV	LN 12210019133	1909 Main St	6,950.01
12/06/21	ADV	LN 12210019134	1910 Main St	2,203.48
12/08/21	ADV	LN 122100191	1909 Main St	12,572.50
11/08/21	ck 128	Matt Skarperud	golf Bldg	(9,904.45)
12/07/21	ck130	Matt Skarperud	golf bldg	(1,818.99)
12/13/21	ck 131	Bryce Moran (reimb)	1909 Main St	(739.48)
12/10/21	CC	Cox Clean Up	1909 & 1910 Main	(1,400.00)
12/15/21	ck 134	Brad Yost	1909 & 1910 Main	(5,324.97)
12/16/21	ck 135	Vern Christiansen	1910 Main St	(3,000.00)
01/03/22	ck 136	Vern Christiansen	1910 Main	(4,000.00)
01/03/22	ck 137	Ragland Painting	1909 Main	(4,300.00)
01/05/22	ADV	LN 12210019134	1910 Main	4,000.00
01/05/22	ADV	Ln12210019133	1909 Main	4,300.00
01/05/22	ADV	LN 12210019133	1909 Main St	366.95
01/05/22	ck 138	Hamburg Elec & Pl	1909 Main	(366.95)
01/10/22	ADV	LN 12210019133	1909 Main St	4,848.57
01/12/22	ADV	LN 12210019133	1909 Main St	12,187.51
01/12/22	ADV	LN 12210019134	1910 Main St	13,942.66
01/12/22	CK 139	Brad Yost - NFM	1910 Main St	(12,187.51)
01/12/22	CK 140	Mead Lumber	1909/1910 Main	(18,791.23)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							6,950.01				
							2,203.49				
							12,572.50				
									(9,904.45)		
									(1,818.99)		
							(739.48)				
							(1,400.00)				
							(5,324.97)				
							(3,000.00)				
							(4,000.00)				
							(4,300.00)				
							4,000.00				
							4,300.00				
							366.95				
							(366.95)				
							4,848.57				
							12,187.51				
							13,942.66				
							(12,187.51)				
							(18,791.23)				

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Date	Type	Description	For What	Amount
11/18/21	ck 127	Fre Co Treasurer	RE Tax shortage	(5.00)
01/27/22	ck 141	Brad Yost	1909 Main St	(5,989.00)
01/27/22	ADV	LN 12210019133	1909 Main St	5,989.00
02/08/22	ck 142	Mead Lumber	1909 Main St	(831.04)
02/08/22	ADV	LN 12210019134	1910 Main St	735.98
02/14/22	ck 143	Donna Nenneman	Clean 1909 Main	(400.00)
02/25/22	ck 144	Fre Co Title	1910 Main St	(320.00)
02/25/22	ck 145	Fre Co Title	1909 Main St	(310.00)
02/28/22	ck 146	Brad Yost	1909 Main St	(2,483.00)
02/28/22	ck 147	Brad Yost	1910 Main St	(7,337.00)
03/01/22	ck 148	Tyler Beam	BH Energy reim	(464.00)
03/01/22	ck 149	Ham Elec & Plumb	1909 Main St	(38,969.97)
03/01/22	ck 150	Ham Elec & Plumb	1910 Main St	(24,465.63)
03/01/22	ADV	LN 122019133	1909 Main St	2,483.00
03/01/22	ADV	LN 122019134	1910 Main St	7,337.00
03/02/22	ADV	LN 1221019134	1910 Main St	24,465.63
03/02/22	ADV	LN 122019133	1909 Main St	38,969.07
03/02/22	ck 151	Ln 122019133	Payoff Ln	(41,380.69)
03/08/22	ck 152	Mead Lumber	1909 Main St	(12.79)
03/24/22	ck 153	Lawrence Buckalew	Elec Bl Hills reimb	(517.94)

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							(5.00)				
							(5,989.00)				
							5,989.00				
							(831.04)				
							735.98				
							(400.00)				
							(320.00)				
							(310.00)				
							(2,483.00)				
							(7,337.00)				
							(464.00)				
							(38,969.07)				
							(24,465.63)				
							2,483.00				
							7,337.00				
							24,465.63				
							38,969.07				
							(41,380.69)				
							(12.79)				
							(517.94)				

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Date	Type	Description	For What	Amount
03/02/22	Dep	Lawyer Tr-Stevens		25,000.00
03/02/22	Dep	Midwest Title Inc	Beam closing proc	69,174.80
04/07/22	ck 154	Richardson San	dumpsters	(2,037.80)
04/26/22		IEDA Reimburse		
04/26/22		Transfer	IEDA/Nuisance	
04/26/22		Transfer	IEDA/Nuisance	
09/19/22		Transfer	Clean up	
09/19/22		Transfer	Plates/Shirts	
09/19/22		Transfer	Downtown	
09/19/22		Transfer	Unknown	
02/07/22		Loan Int.		
02/07/22		Loan int		
04/26/22				
04/19/22	158	Fremont Co Treas	RE Taxes	
04/15/22	157	US Assure Ins	1910 Main	
04/15/22	156	Westbound Ins	Other Prop	
04/08/22	155	Rawson Stevens	Beam Closing	
04/25/22	159	Dovel Const		
04/25/22	160	Randy Garlipp	lawn work	
04/25/22	Dep	Tri Valley/Beam	Reimburse	

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							25,000.00				
							69,174.80				
							(2,037.80)				
									77,485.92	23,899.20	
							101,385.12			(100,000.00)	
			(900.00)				900.00				
(1,716.00)							1,716.00				
					(7,320.00)		7,320.00				
							7,283.47				(7,283.47)
							(222.61)				
							(914.27)				
									(1,385.12)		
							(1,079.00)				
							(400.00)				
							(450.00)				
							(1,500.00)				
							(800.00)				
							(800.00)				
							960.00				

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Date	Type	Description	For What	Amount
04/27/22	161	Marty Bohlen	1910 Drywall	
05/05/22	162	Brad Yost	1910 Lumber	
05/06/22	163	Mead Lumber	1910 Main	
05/18/22	164	Cabinet	1910 Main	
05/23/22		Loan Int	1910 Main	
06/22/22		FIB Loan Int	1910 Main	
06/22/22		Mead Lumber	1910 Main	
06/22/22		Loan Adv	1910 Main	
06/27/22		Cabinet Factory	1910 Main	
07/08/22	1001	mead Lumber	1910 main	
07/21/22	Dep	Dep. From School	310 S Street	
08/25/22	1002	Fre. Co. Treasurer	Drainage 5 Prop	
06/27/22		Chk Order		
08/31/22		Adjust	Balanced with bank Stmt 8/31/2022 \$193,486.65	
09/03/22	1003	Shipleys Flooring	1910 Main	
09/15/22	1004	Lawrence B	1910 Main	
				<u>\$ 70,862.98</u>

Auditor's Note: Information prior to March 2019 was not applicable to this engagement and has been deleted. Columns with no activity (NE Comm FO / Baeball / Pool) were excluded for the purposes of this exhibit.

Designated Deposits and Identified Payments

Plates/ Shirts	Misc	Theater	Clean-up	Horizons	Downtown	Parks	Flood Rec/Ho	Nalley	IEDA DT Catalyst	IEDA Nuisance & Abandon	Unknown
							(11,300.00)				
							(7,685.00)				
							(170.01)				
							(4,771.14)				
							(525.70)				
							(406.93)				
							(3,063.34)				
							3,063.34				
							(465.46)				
							(532.54)				
							5,000.00				
							(247.32)				
							(27.86)				
							(113.35)				
							(5,460.48)				
							(2,498.03)		(24,120.31)		
							24,120.31				
0.20	(8,183.47)	2,575.00	-	(5,750.00)	(7,320.00)	(600.00)	162,569.52	(264.78)	38,000.00	-	-

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Staff

This special investigation was performed by:

Dena Tadros, CFE, Staff Auditor

A handwritten signature in black ink, appearing to read 'James Cunningham', with a long horizontal flourish extending to the right.

James Cunningham, CPA
Chief Deputy Auditor of State