



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE March 24, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Riverside, Iowa for the period July 1, 2015 through June 30, 2016. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City should also ensure reconciliations between bank and book balances are performed monthly and are reviewed by an appropriate independent person.

In addition, the City should ensure City advisory committee meetings are preceded by proper notice and minutes of the meetings meet the requirements of the Code of Iowa.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1621-0886-BLOF>.

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CITY OF RIVERSIDE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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City of Riverside

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Poch	Mayor	Jan 2016
Ralph Schnoebelen	Mayor Pro Tem	Jan 2018
Nate Kasdorf	Council Member	Jan 2016
Chris Kirkwood	Council Member	Jan 2016
Robert Schneider, Jr.	Council Member	Jan 2016
Tom Sexton	Council Member	Jan 2018
Lory Young	City Clerk/Finance Officer	Indefinite
William J. Sueppel	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allen Schneider	Mayor	Jan 2018
Ralph Schnoebelen	Mayor Pro Tem	Jan 2018
Tom Sexton	Council Member	Jan 2018
Jeanine Redlinger	Council Member	Jan 2020
Robert Schneider, Jr.	Council Member	Jan 2020
Robert J. Weber	Council Member	Jan 2020
Lory Young	City Clerk/Treasurer	Indefinite
William J. Sueppel	Attorney	Indefinite

City of Riverside



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Riverside for the period July 1, 2015 through June 30, 2016. The City of Riverside's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City of Riverside. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Riverside, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Riverside and other parties to whom the City of Riverside may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Riverside during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

December 15, 2016

Detailed Recommendations

City of Riverside

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries, having custody of assets and controlling all data input and output.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing and custody of investments.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Long-term debt – recordkeeping and reconciling.
- (7) Disbursements – purchasing, check signing, reconciling and recording.
- (8) Payroll – recordkeeping, preparing, signing and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing available personnel, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The fund balances in the City’s general ledger were not reconciled to bank balances throughout the year. For one month reviewed, June 2016, the book balance was \$212,972 higher than the bank balance. The majority of the variance related to a bank transfer and payment for a fire truck, accounting for \$231,263 of the variance.

Recommendation – The City’s fund balances should be reconciled to the bank balances monthly. Variances should be investigated and resolved timely. An appropriate independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Payroll – City policy states the workday shall consist of not less than eight hours a day and any employee on an eight and one-half hour working day will take a one-half hour lunch break. The supervisor must approve employees to work through their lunch hour. The following instances of non-compliance with City policy were noted:

- City personnel working in City Hall do not clock out for a one-half hour lunch each day. As a result, they are paid for this time, which is inconsistent with City policy and the practice for non-City Hall employees. The City Clerk did not always record a one-half hour lunch on days worked during fiscal year 2016 with approval from the City Council, resulting in additional payroll costs incurred by the City.

City of Riverside

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

In addition, for two of five time cards tested, there was no evidence of review or approval by the employee's supervisor.

Recommendation – Time cards and/or time sheets should be approved and initialed by the employee's supervisor or by an independent person not involved with payroll. The independent reviewer should ensure the hours recorded in the payroll register reconcile to the hours worked as recorded on the time cards and/or time sheets and the hours are in compliance with current City policy.

- (D) Paid Leave – Two employees tested were allowed to carry forward vacation hours in excess of the 80 hour maximum established by City policy.

Recommendation – The City should ensure vacation balances carried forward are in compliance with established City policy.

- (E) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report (AFR) contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures..." The City's AFR included fund balances which do not agree with the balances recorded in the City's records.

Recommendation – The City should ensure future AFRs are supported by the City's records.

- (F) Utilities – The following were noted regarding the City's utilities:

- Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- The City has not issued refunds for water deposits in a timely manner.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. In addition, the City should implement procedures to ensure water deposits are monitored and refunded in accordance with City ordinance.

- (G) Credit Cards – The City has credit cards for use by employees while on City business. However, supporting documentation was not available for the three credit card charges tested. As a result, the purpose of the disbursements could not be determined.

Recommendation – Supporting documentation for all credit card charges should be obtained and retained.

- (H) Computer System – The following weaknesses in the City's computer system were noted:

- (1) The City does not have a written policy regarding the authorization and security for setting, resetting and maintaining passwords for the City's accounting system.
- (2) The City does not have a written disaster recovery plan.

City of Riverside

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

Recommendation – The City should develop a written policy addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

- (I) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

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

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

- (J) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, general government and debt service functions. In addition, disbursements in the public safety and debt service functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (K) City Committees – The City has established multiple advisory committees to research projects for the City concerning its parks, streets and City beautification. The committees are comprised of City Council members, in some cases a quorum of the City Council, and residents of the City. Committees for which there is a quorum of City Council Members are subject to Chapter 21 of the Code of Iowa, also known as the “Open Meetings Law”. Also, in accordance with an Attorney General’s Opinion dated November 18, 1993, advisory committees created by a governing body who develop and make recommendations on public policy issues are subject to the Chapter 21 of the Code of Iowa. During our review, we noted prior notice of the committee meetings was not given, minutes of the meetings did not include all required elements and meeting minutes were not retained, as required by Chapter 21 of the Code of Iowa.

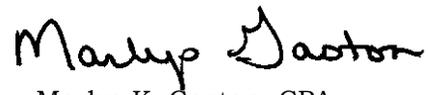
Recommendation – The advisory committees should comply with Chapter 21 of the Code of Iowa. Notice of meetings should be provided and minutes of the meetings should include all required elements and should be retained. The City should consult legal counsel for additional guidance and clarification, if necessary.

City of Riverside

Staff

This engagement was performed by:

Jennifer Campbell, CPA, Manager
Jesse J. Harthan, Senior Auditor
Justin D. Jones, Assistant Auditor



Marlys K. Gaston, CPA
Director