

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 4, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Riverside, Iowa for the period July 1, 2016 through June 30, 2017. 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 reviewed by an 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/1721-0886-BLOF>.

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CITY OF RIVERSIDE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017**

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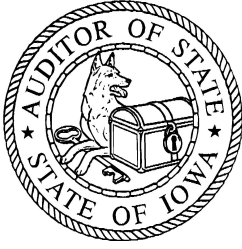
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City of Riverside

Officials

<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, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Riverside's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The 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 2017 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. 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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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

April 26, 2018

Detailed Recommendations

City of Riverside

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

(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, recording and reconciling.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.
- (6) Long-term debt – recordkeeping and reconciling.
- (7) Disbursements – invoice processing, 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 – Bank reconciliations were not reviewed by an independent reviewer who is an elected official or employee of the City.

Recommendation – To improve financial accountability and control, the bank reconciliation should be prepared and independently reviewed by an elected official or employee, and evidence of review should be documented and retained. Variances, if any, should be investigated and resolved in a timely manner.

(C) Part-time Employee Health Insurance – City policy states “the City will pay 95% of a single plan and 90% of a family plan for permanent full-time employees.”

During the year ended June 30, 2017, the amount the City paid toward the part-time Utility Clerk’s health insurance contribution was the same as a full time employees’ contribution. In addition, City Policy does not state part-time employees are eligible for health insurance benefits.

Recommendation – The City should comply with City policy and only pay health insurance benefits for eligible employees.

City of Riverside

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, delinquent accounts and adjustments were not reconciled during the year.

Recommendation – Procedures should be established to reconcile utility billings, collections, delinquent accounts and adjustments for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquencies.

- (F) 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.

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.

- (G) 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.

- (H) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

City of Riverside

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (I) Unauthorized Signature – In May 2017, a manual check was written for \$700 to Twin County Produce Auction. The City Clerk’s and the Utility Clerk’s names were on the check as signers. Per discussion with the Utility Clerk, she had attended the auction to purchase planters for the City and had taken a signed, blank check along since the cost of the planters was unknown until after the auction. Per discussion with the City Clerk, the City Clerk was on vacation the day of the auction and the second signature on the check is not her signature. The City Council approved this disbursement after payment.

City checks are prepared using a computer system and are electronically written and signed. We reviewed cleared checks for the fiscal year ending June 30, 2017 and noted the only manual check issued was the \$700 check to Twin County Produce Auction. Per our review of signatures on the checks, the City Clerk’s signature did not appear to be the same as the signature on the electronically written checks.

Recommendation – The City should consult legal counsel to determine the disposition of questionable signature on the manual check. The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements authorized to be 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.

- (J) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ralph Schnoebelen, Council Member, Owner of Schnoebelen, Inc.	Repairs and maintenance	\$ 15,278
Becky LaRoche, Utility Clerk, Owner of Riverside History Center’s building	Rent	16,800

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions may represent a conflict of interest since the transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of these transactions.

- (K) Health and Dental Insurance – On December 19, 2016, the City approved an increase in health and dental premium rates to be deducted from pay checks for full-time employees, beginning January 1, 2017. However, the deductions were not updated in the system until May 2017.

Recommendation – The City should establish procedures to ensure health and dental insurance premium deduction amounts are updated in the payroll system timely.

City of Riverside

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (L) Transfers – One transfer between the Debt Service Fund and the Special Revenue, Casino Revenue Fund was not approved by the City Council.

Additionally, two transfers were recorded at less than the amount approved by the City Council.

Recommendation – The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record. Any changes in the actual amount transferred should be approved by the City Council prior to the transfer.

- (M) City Council Meeting Minutes – Minutes for one of four meetings tested were not published within 15 days as required by Chapter 372.13(b) of the Code of Iowa.

Recommendation – The City should publish minutes within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

- (N) 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 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.

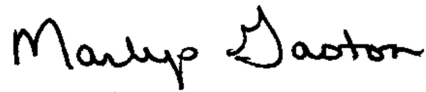
Recommendation – The advisory committees should comply with Chapter 21 of the Code of Iowa. Notice of meetings should be provided and minutes of the meetings should include all required elements and should be retained. The City should consult legal counsel for additional guidance and clarification, if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

City of Riverside

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager
Jesse J. Harthan, Senior Auditor II
McKenzie M. Anderson, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director