



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

June 18, 2018

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Renwick, 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 utilize a uniform chart of accounts to provide better financial information. The City should also establish procedures to ensure utility reconciliations are performed and are independently reviewed. In addition, the City should approve an investment policy and a depository resolution, as required, and should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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/1722-0433-BLOF>.

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CITY OF RENWICK

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 5-6 |
| Detailed Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 8 |
| Bank Reconciliations | B 8 |
| Chart of Accounts | C 8 |
| Reconciliation of Utility Billings, Collections and Delinquent Accounts | D 8 |
| Deposit and Investments | E 9 |
| City Council Meeting Minutes | F 9 |
| Certified Budget | G 9 |
| Payroll and Compensated Absences | H 9 |
| Monthly City Clerk's Report | I 10 |
| Unclaimed Property | J 10 |
| Annual Urban Renewal Report | K 10 |
| Staff | 11 |

City of Renwick

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------------|----------------------|---------------------|
| Rick Larson | Mayor | Nov 2017 |
| Logan Anderson | Council Member | Nov 2017 |
| Mike Walker | Council Member | Nov 2017 |
| Dan Kraft (Appointed Mar 2017) | Council Member | Nov 2017 |
| Dave Smith | Council Member | (Resigned Jan 2017) |
| Fred Hefty | Council Member | Jan 2018 |
| Matt Dornbier | Council Member | Jan 2020 |
| Terri Meyers | City Clerk/Treasurer | Indefinite |
| Greg Stoebe | Attorney | Indefinite |

City of Renwick



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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 Renwick 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 Renwick'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 tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Renwick 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

May 14, 2018

Detailed Recommendations

City of Renwick

Detailed Recommendations

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

- (A) Segregation of Duties – One important aspect of internal 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, with no provision for independent review for accountability:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – investing, recordkeeping, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Long-term debt – recordkeeping, compliance and debt payment processing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – recordkeeping, preparing 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 currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The cash balances in the City’s general ledger were reconciled to bank checking account balances throughout the year, however the reconciliations did not include the investment balances which totaled \$37,603 at June 30, 2017.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Renwick

Detailed Recommendations

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

- (E) Deposit and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Also, although certificates of deposit were confirmed with the bank, the City was unable to locate the actual certificates. In addition, records are not maintained to document interest earned and independent reconciliations of actual investments to the investment record are not performed. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. Interest received on investments should be documented in the investment record. All investment instruments should be maintained in a locked safe or vault and should be periodically reconciled to the investment record by an independent person. In addition, the City should contact the bank to determine if duplicate certificates of deposit can be obtained. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Two of Four meeting minutes tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

- (G) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in general government, public works and capital projects functions prior to the budget amendment. Disbursements at June 30, 2017 exceeded the amounts budgeted in the health and social services, culture and recreation and community and economic development 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.

- (H) Payroll and Compensated Absences – City employees do not prepare and submit timesheets to support hours worked. In addition, vacation and sick leave time off was not supported, tracked or approved.

Recommendation – Timesheets should be prepared by all employees to substantiate hours worked and hours taken as leave. The timesheets should be signed by the employee and reviewed, approved and signed by supervisory personnel prior to preparation of payroll. In addition, the City should establish written policies and procedures to provide for the proper accrual and accounting for vacation and sick leave, including the requirement for proper approval and documentation.

City of Renwick

Detailed Recommendations

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

- (I) Monthly City Clerk's Report – Monthly City Clerk's reports, including transfers and a comparison of disbursements to the certified budget by function, were not prepared and provided to the City Council for review and approval. In addition, the City Council is not provided with the monthly bank reconciliations for review.

Recommendation – Monthly City Clerk's reports, including transfers and a comparison of actual disbursements to the certified budget by function, should be prepared and provided to the City Council for approval. Reporting to the City Council should also include the monthly bank reconciliations.

- (J) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires outstanding obligations, including checks held for more than two years, to be reported and remitted to the Office of Treasurer of State annually. Thirteen out of 13 checks tested totaling \$1,247 have been outstanding for over two years and have not been reported or remitted, as required.

Recommendation – Outstanding checks should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State, as required.

- (K) Annual Urban Renewal Report – The City's receipts reported on the Levy Authority Summary were incorrectly reported as disbursements and the ending fund balance did not agree with the City's general ledger.

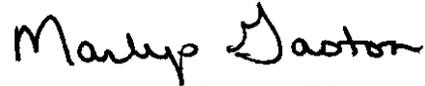
Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City's records.

City of Renwick

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager
Malika Moutiq, Staff Auditor
Madeline W. Petellin, Assistant Auditor


Marlys K. Gaston, CPA
Director