



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 26, 2020

Contact: Ernest Ruben, Jr.
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Riverside, Iowa, for the period July 1, 2018 through June 30, 2019. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 9 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, disbursements exceeding budgeted amounts, business transactions that may represent a conflict of interest and errors in amounts reported on the annual financial report. Sand provided the City with recommendations to address each of the findings.

Ten of the twelve findings discussed above for the City are repeated from the prior year report. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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CITY OF RIVERSIDE
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2018 THROUGH JUNE 30, 2019

City of Riverside



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March 16, 2020

Officials of the City of Riverside
Riverside, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Riverside, Iowa, for the year ended June 30, 2019. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Riverside throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

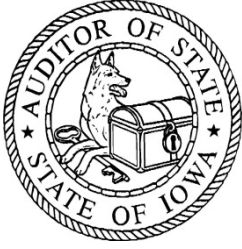
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City of Riverside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allen Schneider	Mayor	Jan 2020
Jeanine Redlinger	Council Member	Jan 2020
Robert Schneider, Jr.	Council Member	Jan 2020
Robert J. Weber	Council Member	(Resigned Sep 2018)
Edgar McGuire (Elected)	Council Member	Jan 2020
Andy Rodgers	Council Member	Jan 2022
Tom Sexton	Council Member	Jan 2022
Becky LaRoche	City Clerk/Treasurer	Indefinite
William J. Sueppel	Attorney	Indefinite



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Rob Sand
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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Riverside for the period July 1, 2018 through June 30, 2019, 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 observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of 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 observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed 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 scanned 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 observed the City's fiscal year 2019 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

8. We scanned 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.
9. The City had no TIF.
10. We traced selected receipts to accurate accounting and consistency with the recommended COA.
11. The City had no voter approved levies.
12. We traced selected disbursements to 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.
13. We traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
14. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
15. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and 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 findings and 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 where 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.



Ernest H. Ruben, Jr., CPA
Director

March 16, 2020

Detailed Findings and Recommendations

City of Riverside

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. 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 – purchasing, invoice processing, check writing, mailing, 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 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 – Although bank reconciliations were reviewed by an independent person, one review tested was not performed timely. At June 30, 2019, the reconciled bank balance was \$73 less than the City Clerks report.

Recommendation – To improve financial accountability and control, bank reconciliations should be independently reviewed timely by an elected official or employee. Evidence of independent reviews should be documented and retained. Variances, if any, should be investigated and resolved in a timely manner.

(C) 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 Riverside

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019

- (D) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public safety and general government 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.

- (E) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Becky LaRoche, City Clerk, Owner of Riverside History Center’s building	Rent	\$ 17,700

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total 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 this matter.

- (F) 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...” We noted the following regarding the City’s fiscal year 2019 AFR:

- Receipts, disbursements and beginning and ending fund balances reported on the AFR were not supported by the City’s records. The beginning fund balance, total receipts and total disbursements reported on the AFR were overstated by \$239, \$247 and \$100,000, respectively. The ending fund balance reported on the AFR was understated by \$99,514 when compared to the City’s records.
- A transfer for \$227,700 from the Special Revenue, Casino Revenues Fund to the Debt Service Fund was not reported correctly.
- A \$100,000 transfer from the Special Revenue, Road Use Tax Fund to the Capital Projects Fund was approved and recorded in July 2019 (fiscal year 2020), however, the transfer was included in the city’s fiscal year ended June 30, 2019 AFR.
- The City incorrectly reported July and August 2019 (fiscal year 2020) township fire receipts totaling \$32,683 on the June 30, 2019 AFR.

Recommendation – The City should implement procedures to ensure amounts reported on the AFR agree to the City’s records.

City of Riverside

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019

- (G) Journal Entry Approval – One journal entry observed was not reviewed and approved timely.

Recommendation – Journal entries should be reviewed and approved timely by an independent person and evidence of the approval should be documented by the signature or initials of the reviewer and the date of the review.

- (H) Payroll – The approved wages for one employee observed could not be located in the City Council meeting minutes. Also, salary increases for the City Clerk were approved based on a dollar amount increase but the actual approved salary was not documented in the City Council meeting minutes.

Recommendation – Actual approved wages and hourly rates should be documented in the City Council meeting minutes.

- (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.

Computer System – The City does not have a written policy regarding authorization and security for setting, resetting and maintaining passwords for the City's accounting system.

Recommendation – The City should develop a written policy addressing authorization and security for setting, resetting and maintaining passwords for the City's accounting system.

- (J) Monthly City Clerk's Report – The City Clerk's monthly reports did not include a comparison of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the monthly City Clerk's reports should include comparisons to the certified budget by function.

- (K) Receipts – Commercial and industrial replacement tax receipts were incorrectly recorded as property taxes rather than intergovernmental receipts.

Recommendation – All receipts should be recorded to the proper source and the City should establish procedures to ensure receipt coding is accurate.

City of Riverside

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director
Katherine L. Rupp, CPA, Manager
William J. Sallen, CPA, Staff Auditor
Noelle M. Johnson, Staff Auditor