

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

Rob Sand
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 5, 2021

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Remsen, Iowa and the Remsen Municipal Utilities (Utilities) for the period July 1, 2019 through June 30, 2020. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported eight findings for the City and one finding for the Utilities related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of recording interest earned on certificates of deposit, a deficit fund balance and City disbursements exceeding budgeted amounts. Sand provided the City and the Utility with recommendations to address each of the findings.

Four of the nine findings discussed above for the City and the Utility are repeated from the prior year report. The City Council and the Utilities Board have a fiduciary responsibility to provide oversight of the City's and the Utility'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/reports/audit-reports/>.

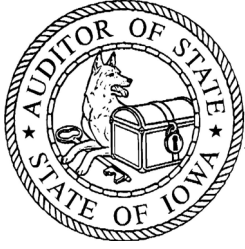
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**CITY OF REMSEN AND
REMSen MUNICIPAL UTILITIES**

**AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020**

**City of Remsen and
Remsen Municipal Utilities**



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Rob Sand
Auditor of State

February 22, 2021

Officials of the City of Remsen and the Remsen Municipal Utilities
Remsen, Iowa

Dear Honorable Mayor, Members of the City Council and Utility Board Members:

I am pleased to submit to you the agreed-upon procedures report for the City of Remsen, Iowa, and the Remsen Municipal Utilities for the period July 1, 2019 through June 30, 2020. 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 Remsen and the Remsen Municipal Utilities 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 that reads "Rob Sand".

Rob Sand
Auditor of State

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**City of Remsen and
Remsen Municipal Utilities**

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>City:</u>		
Joel Fisch	Mayor	Jan 2020
Mindy Klein	Council Member	Jan 2020
Dick Sievers	Council Member	Jan 2020
Josh Hill	Council Member	Jan 2022
Ann Cole-Nelson	Council Member	Jan 2022
Dave Sonnichsen	Council Member	Jan 2022
Rachel Keffeler	City Clerk	Indefinite
Barry Thompson	Attorney	Indefinite
<u>Utilities:</u>		
Dean Douvia	Board of Trustees	Jan 2020
Kim Keleher	Board of Trustees	Jan 2022
Lee Galles	Board of Trustees	Jan 2024
Chris Poeckes	Superintendent	Indefinite
Courtney Loutsch	Utility Clerk	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>City:</u>		
Joel Fisch	Mayor	Jan 2024
Josh Hill	Council Member	Jan 2022
Ann Cole-Nelson	Council Member	Jan 2022
Dave Sonnichsen	Council Member	Jan 2022
Mindy Klein	Council Member	Jan 2024
Kendra Rensink	Council Member	Jan 2024
Rachel Keffeler	City Clerk	Indefinite
Barry Thompson	Attorney	Indefinite
<u>Utilities:</u>		
Kim Keleher	Board of Trustees	Jan 2022
Lee Galles	Board of Trustees	Jan 2024
Dean Douvia	Board of Trustees	Jan 2026
Chris Poeckes	Superintendent	Indefinite
Courtney Loutsch	Utility Clerk	Indefinite

**City of Remsen and
Remsen Municipal Utilities**



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

To the Honorable Mayor, Members of the City Council
and Members of the Utilities Board of Trustees:

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 Remsen and the Remsen Municipal Utilities (Utilities) for the period July 1, 2019 through June 30, 2020, including procedures related to the City's and Utilities' compliance with certain Code of Iowa requirements identified below. The City of Remsen's and the Utilities' management, which agreed to the performance of the procedures performed, are responsible for compliance with these requirements and for the City's and the Utilities' 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 and Utilities Board meeting minutes for compliance with Chapters 21, 372.13(6), 380 and 388 of the Code of Iowa.
2. We obtained an understanding of the City's and the Utilities' 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's and the Utilities' 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 and the Utilities Board.
5. We scanned the City's and the Utilities' 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 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.

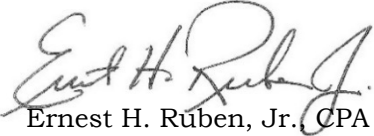
8. We scanned depository resolutions, the City's and Utilities' investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, 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.
10. We scanned 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 observed 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 traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. 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.
15. We traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. 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 and the Utilities. 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. The City's findings and recommendations are followed by the Utilities' findings and recommendations.

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 and the Utilities, 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 and the Utilities, including the City's and Utilities' 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 Remsen and the Remsen Municipal Utilities 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

February 22, 2021

Detailed Findings and Recommendations

City of Remsen and
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

City:

- (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) Cash – handling, reconciling and recording.
- (2) Investments – custody and detailed recordkeeping.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.

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 account balances throughout the year. However, an independent review of the June 2020 bank to book reconciliation was not documented.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Investments – We observed one investment not recorded at current value because interest earned totaling \$1,756 and added to the certificate of deposit balance was not recorded.

Recommendation – Interest on investments should be recorded timely.

- (D) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the general government function. 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) Disbursements – Three disbursements traced included sales tax.

Recommendation – Procedures should be established to ensure the City does not pay sales tax.

City of Remsen and
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (F) Financial Condition – At June 30, 2020, the City had a deficit balance of \$57,124 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (G) Tax Increment Financing – Chapter 403.19(6)(b) of the code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor. During the year ended June 30, 2020, interest received in the Special Revenue, Urban Renewal Tax Increment Fund was not decertified to the County Auditor.

Recommendation – The City should comply with Chapter 403.19(6)(b) of the Code of Iowa and decertify the amount of interest received in the Special Revenue, Urban Renewal Tax Increment Fund.

- (H) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was approved and certified to the Iowa Department of Management on or before December 1, as required. However, the amount reported as TIF debt outstanding on the Levy Authority Summary was understated by \$82,500 when compared to the City's records.

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

City of Remsen and
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

Utilities:

- (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 Utilities’ financial statements. Generally, one individual has control over each of the following areas for the Utilities:
- (1) Cash – handling, reconciling and recording.
 - (2) Investments – custody and detailed recordkeeping.
 - (3) Long-term debt – recordkeeping and debt payment processing.
 - (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
 - (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Utility 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.

City of Remsen and
Remsen Municipal Utilities

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director
Ryan J. Pithan, CPA, Manager
Coltin R. Collins, Staff Auditor
Sarah B. Roemer, Assistant Auditor