

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

September 8, 2021

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Raymond, Iowa, for the period April 1, 2020 through March 31, 2021. 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 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent review of bank reconciliations, the lack of utility system reconciliations, the lack of supervisory review of timesheets, and disbursements in the capital project function exceeding the budget prior to a budget amendment. Sand provided the City with recommendations to address each of the findings.

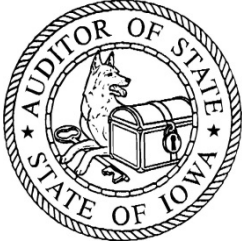
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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 RAYMOND
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

City of Raymond



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August 18, 2021

Officials of the City of Raymond
Raymond, 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 Raymond, Iowa, for the period April 1, 2020 through March 31, 2021. 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 Raymond 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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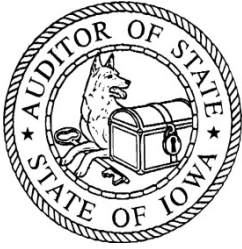
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City of Raymond

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Gary Vick	Mayor	Jan 2020	Jan 2022
Becky Smith	Council Member	Jan 2018	Jan 2022
Shari Sorensen	Council Member	Jan 2018	Jan 2022
Tom McGowan	Council Member	Jan 2020	Jan 2024
Becky Pint	Council Member	Jan 2020	Jan 2024
Larry Thies	Council Member	Jan 2020	Jan 2024
Nancy Miebach	City Clerk		Indefinite
Karen Paulsen	City Financial Advisor/Treasurer		Indefinite
Heather Prendergast	City Attorney		Indefinite
Jake Huck	City Engineer		Indefinite

City of Raymond



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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 Raymond for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Raymond'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 City of Raymond's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, 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 may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their 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 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.

8. 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.
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 to determine 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. 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 engaged by the City of Raymond's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City of Raymond and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 Raymond 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

August 18, 2021

Detailed Findings and Recommendations

City of Raymond

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

(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, depositing, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling, posting and maintaining detailed accounts receivable records.
- (3) Disbursements – purchasing, invoice processing, recording, access to cash, check writing, mailing and reconciling.
- (4) Payroll – preparing, distributing, entering payroll rates and custody.
- (5) Debt – recordkeeping and debt payment processing.

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, the reconciliations did not include evidence of independent review.

Recommendation – Bank reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the independent reviewer and the date of the review.

(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.

(D) Sales Tax – For two of thirty disbursements traced, the City paid sales tax totaling \$26.

Recommendation – The City should develop procedures to ensure sales tax is not paid on purchases.

City of Raymond

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (E) Payroll – Six of six timesheets traced did not include evidence of supervisory review and approval. In addition, wage increases were approved based upon a percentage and the actual approved wages were not documented in the City Council meeting minutes.

Recommendation – Timesheets should be signed and dated by an appropriate supervisor prior to processing payroll. Additionally, procedures should be established to ensure all pay increases and the approved hourly rate or salary is adequately documented in the City Council meeting minutes.

- (F) Vehicle Allowance – The City Clerk was paid \$25 monthly as a vehicle allowance for use of a personal vehicle for City business. The City has not established a policy documenting the public purpose for the allowance or how the allowance amount was determined. Additionally, the vehicle allowance was not processed through payroll and, accordingly, the proper tax withholdings were not applied.

Recommendation – The City should adopt a written policy establishing how the amount of the allowance was determined and the public purpose for these payments. In addition, the City should ensure employee allowances are paid through payroll and subject to tax withholdings and wage reporting.

- (G) Credit Card Policy – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to ensure procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- (H) Disaster Recovery Plan – The City does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

- (I) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, trusts, and bonds held for more than two years, to the Office of Treasurer of State annually. We noted four outstanding checks over two years old that had not been remitted to the Office of Treasurer of State.

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

City of Raymond

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (J) Deposits and Investments – The City’s investment policy refers to an outdated chapter of the Code of Iowa.

Additionally, although a resolution naming official depositories was approved by the City, the maximum deposit amount for each approved bank was not included on the depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should modify the investment policy to refer to Chapter 12B.10B of the Code of Iowa. 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.

- (K) Monthly City Clerk’s Report – The City Clerk’s monthly report to the City Council did not include a comparison of actual disbursements to the certified budget by function.

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

- (L) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the capital projects function prior to a 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.

City of Raymond

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director
Katherine L. Rupp, CPA, Manager
Noelle M. Johnson, Senior Auditor