



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 23, 2017

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Renwick, Iowa for the period July 1, 2015 through June 30, 2016. 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 monthly bank and 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/1622-0433-BLOF>.

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**CITY OF RENWICK**

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

**FOR THE PERIOD  
JULY 1, 2015 THROUGH JUNE 30, 2016**

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**City of Renwick**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Larson (Appointed Mar 2015)	Mayor	Nov 2017
Hal Skiye	Council Member	Jan 2016
Amy Schneider	Council Member	Jan 2016
Logan Anderson (Appointed Apr 2015)	Council Member	Nov 2017
Mike Walker (Appointed May 2015)	Council Member	Nov 2017
Fred Hefty	Council Member	Jan 2018
Terri Meyers	City Clerk/Treasurer	Indefinite
Greg Stoebe	Attorney	Indefinite

**(After January 2016)**

<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
Fred Hefty	Council Member	Jan 2018
Dave Smith	Council Member	Jan 2020
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, 2015 through June 30, 2016. The City of Renwick's management, which agreed to the performance of the procedures performed, is responsible 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 2016 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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Renwick, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Renwick and other parties to whom the City of Renwick may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

February 22, 2017



## **Detailed Recommendations**

City of Renwick

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (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 and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year.

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, 2015 through June 30, 2016

- (E) Official Depositories – The City has not adopted a resolution naming official depositories as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

- (F) Deposits – Two intergovernmental receipts were not deposited timely.

Recommendation – The City should establish procedures to ensure receipts are deposited timely.

- (G) 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.

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.

- (H) 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. Minutes for one of four meetings 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.

- (I) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, general government and capital projects 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.

- (J) 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, 2015 through June 30, 2016

- (K) Monthly Financial Reports – Monthly financial reports, including receipts, disbursements, transfers and balances for each fund and comparison of actual to budgeted disbursements by function, were not prepared and provided to the City Council for review and approval.

Recommendation – The City should establish procedures to ensure monthly financial reports, including receipts, disbursements, transfers and balances for each fund and comparison of actual to budgeted disbursements by function, are prepared and provided to the City Council for review and approval.

- (L) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (M) 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. Nine of ten checks tested 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.

- (N) Petty Cash – The City maintains a change fund for which no authorization could be located.

Recommendation – The change fund should be formally authorized by the City Council.

City of Renwick

Staff

This engagement was performed by:

Deborah J. Moser, CPA, CGFM, Manager  
Eileen D. Loomis, Staff Auditor  
Cole J. Hanley, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director