



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

February 14, 2019

Contact: Marlys Gaston
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, 2017 through June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand recommended the City review its control procedures to obtain the maximum internal control possible and establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. In addition, the City should ensure reconciliations between bank and book balances are reviewed timely.

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 RIVERSIDE
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2018

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City of Riverside

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allen Schneider	Mayor	Jan 2018
Ralph Schnoebelen	Mayor Pro Tem	Jan 2018
Tom Sexton	Council Member	Jan 2018
Jeanine Redlinger	Council Member	Jan 2020
Robert Schneider, Jr.	Council Member	Jan 2020
Robert J. Weber	Council Member	Jan 2020
Lory Young	City Clerk/Treasurer	Indefinite
William J. Sueppel	Attorney	Indefinite

(After January 2018)

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

City of Riverside



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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 tests and procedures to selected accounting records and related information of the City of Riverside for the period July 1, 2017 through June 30, 2018, 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 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 2018 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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Riverside 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.


ROB SAND
Auditor of State

January 24, 2019

Detailed Recommendations

City of Riverside

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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 – invoice processing, check signing, 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 available personnel, 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, the reviews were not performed timely (i.e., monthly).

Recommendation – To improve financial accountability and control, the bank reconciliation should be prepared and independently reviewed timely by an elected official or employee, and evidence of review should be documented and retained. Variances, if any, should be investigated and resolved in a timely manner.

(C) Paid Leave – Two employees tested were allowed to carry forward vacation hours in excess of the 80 hour maximum established by City policy.

Recommendation – The City should establish procedures to ensure vacation balances carried forward are in compliance with established City policy.

(D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled during 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 should review the reconciliations and monitor delinquency accounts.

City of Riverside

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

(E) Computer System – The following weaknesses in the City’s computer system were noted:

- (1) The City does not have a written policy regarding authorization and security for setting, resetting and maintaining passwords for the City’s accounting system.
- (2) The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written policy addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

(F) 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.

(G) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public safety, culture and recreation and debt service 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) Business Transactions – Business transactions between the City and City officials or employees which may represent a conflict of interest are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ralph Schnoebelen, Council Member, Owner of Schnoebelen, Inc.	Repairs and maintenance	\$ 2,986
Becky LaRoche, City Clerk, Owner of Riverside History Center’s building	Rent	16,800

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

City of Riverside

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (I) Payroll – Salary increases are approved as percentage increases and the actual salaries or wages were not documented in the City Council meeting minutes.

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

- (J) Petty Cash – The petty cash fund was not maintained on an imprest basis and was not maintained at the authorized amount. An imprest system is one in which petty cash is maintained at a fixed, authorized, amount and all distributions from the petty cash fund are supported/documented with a vendor receipt.

Recommendation – The petty cash fund should be maintained on an imprest basis to provide additional control over the petty cash fund, improve the accountability for cash and enhance reconciliation of receipts and deposits. To periodically replenish the petty cash fund, the vendor receipts should be attached to a claim provided to the City Council for approval.

- (K) City Council Meeting Minutes – Minutes for one of four meetings tested were not published within 15 days of the meetings, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes within 15 days, as required.

- (L) Journal Entry Approval – Journal entries are not approved by an independent person.

Recommendation – Journal entries should be approved 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.

- (M) 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.

City of Riverside

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager
Jesse J. Harthan, Senior Auditor II
Nicholas J. Rustin, Staff Auditor


Marlys K. Gaston, CPA
Deputy Auditor of State