



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 27, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Renwick, 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. The City should also establish procedures to ensure utility reconciliations are performed and are independently reviewed. In addition, the City should approve an investment policy, 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 on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF RENWICK

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

**FOR THE PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2018**

City of Renwick



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Rob Sand
Auditor of State

June 18, 2019

Officials of the City of Renwick
Renwick, 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 Renwick, Iowa, for the year ended June 30, 2018. 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 Renwick throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Renwick

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Larson	Mayor	Nov 2017
Logan Anderson	Council Member	Nov 2017
Fred Hefty	Council Member	Jan 2018
Mike Walker	Council Member	Nov 2017
Matt Dornbier	Council Member	Jan 2020
Dan Kraft	Council Member	Nov 2017
Terri Meyers	City Clerk/Treasurer	Indefinite
Greg Stoebe	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Taylor Kunert	Mayor	Jan 2020
Fred Hefty	Council Member	(Deceased May 2018)
Gary Loftus (Appointed Jul 2018)	Council Member	Nov 2019
Mike Walker	Council Member	(Resigned June 2018)
Rusty Bell (Appointed Aug 2018)	Council Member	Nov 2019
Matt Dornbier	Council Member	Jan 2020
Dan Kraft	Council Member	Jan 2020
Hal Skiye	Council Member	Jan 2022
Terri Meyers	City Clerk/Treasurer	Indefinite
Greg Stoebe	Attorney	Indefinite

City of Renwick



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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 Renwick 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 Renwick'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.

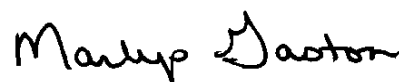
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected 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.

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 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 18, 2019

Detailed Recommendations

City of Renwick

Detailed Recommendations

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

(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, 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 balances in the City’s general ledger were reconciled to bank checking account balances throughout the year; however, the reconciliations did not include the investment balances which totaled \$38,051 at June 30, 2018. In addition, bank reconciliations were not reviewed by an independent person.

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) 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, 2017 through June 30, 2018

- (D) Deposit and 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. In addition, although a resolution naming official depositories was adopted on September 10, 2018, a resolution naming official depositories had not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa as of June 30, 2018.

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.

- (E) Financial Reporting – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) include a “summary for the preceding fiscal year of all collections and the receipts, all accounts due the City, and all expenditures...” We reviewed the AFR for the year ended June 30, 2018, along with the City’s manual ledgers and noted the following:

- Although the ending fund balance of \$409,300 for all City funds on the June 30, 2018 AFR materially agrees with the \$409,564 reported on the City’s June financial report and ledgers, individual ending fund balances did not agree. Fund balances at June 30, 2018 were understated by \$10,704 in the Special Revenue, Road Use Tax Fund and the fund balances in the General Fund and Proprietary Funds were overstated by \$6,974 and \$3,463, respectively. The differences between the June 30, 2018 AFR and the City’s records appear to arise from transactions recorded in prior years.
- The City accounted for the employee benefits levy in the General Fund rather than a Special Revenue Fund. In accordance with budget forms prescribed by the Iowa Department of Management, the employee benefits levy is a Special Revenue Fund levy.
- Librarian wages of \$14,577 were properly recorded as culture and recreation function disbursements in the City’s general ledger, but were miscoded as public safety, ambulance function, disbursements on the City’s June 30, 2018 AFR.
- \$27,064 of community center donations were recorded in the General Fund in the City’s general ledger but were re-classified to the Capital Projects fund on the City’s AFR.
- \$5,980 of County farm-to-market contributions were incorrectly recorded in the General Fund as “miscellaneous receipts” in the City’s general ledger and were re-classified to “intergovernmental receipts” on its AFR. County farm-to-market contributions should be recorded as intergovernmental receipts in the City’s Road Use Tax Fund.

City of Renwick

Detailed Recommendations

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

- Community and industrial replacement claim payments were recorded as property tax receipts rather than intergovernmental receipts.
- The City is not reporting outstanding debt and loan payments for a garbage truck loan on the Part V, Debt Outstanding, Issued, and Retired section of its June 30, 2018 AFR.

Recommendation – The City should ensure the AFR and general ledger, including all receipts and beginning and ending fund balances, is accurate and supported. The City should ensure balances from the prior year are properly carried forward and ending fund balances agree with the June 30 general ledger balances. Also, the City should ensure all outstanding debt is reported on the Part V, Debt Outstanding, Issued and Retired section on its AFR.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings, including the total disbursements from each fund, a list of all claims allowed, the reason for the claims and a summary of all receipts, be published within fifteen days of the meeting. Minutes publications for meetings tested did not include total disbursements for each fund, a list of all claims allowed, including the reason for the claim, or a summary of all receipts.

Also, Chapter 380.7 of the Code of Iowa requires minutes to be signed by the City Clerk. Minutes for two meetings reviewed were not signed by the City Clerk.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish City Council meeting minutes, including total disbursements from each fund, a list of all claims allowed including the reason for the claim, and a summary of all receipts, as required. In addition, the City should comply with Chapter 380.7 of the Code of Iowa and ensure all minutes are signed.

- (G) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public safety and community and economic development functions. Chapter 384.18 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) Payroll and Compensated Absences Controls – The City Clerk accrues vacation but does not complete a timesheet to record hours worked or taken as leave. There is no evidence of review of the City Clerk’s time worked or leave time. Additionally, although the superintendent and assistant superintendent’s timecards are reviewed by the Mayor, there is no evidence of review of payroll reports to timesheets after input into the system or review of compensated absence balances.

In addition, the wage increase for one employee was approved based on a monthly dollar amount increase and the actual approved wage was not documented in the City Council minutes.

City of Renwick

Detailed Recommendations

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

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. Payroll reports should be reviewed by an independent person. Also, approved wages and wage increases for all employees should be adequately documented in the City Council minutes by specifying the specific approved salary amount or hourly rate.

- (I) Monthly City Clerk’s Report – Monthly City Clerk’s reports showing receipts, disbursements, transfers and balances for each fund are prepared. The reports list investment balances in total, but investment activity and balances are not reported by fund. The City was unsure which City funds the investment balances should be reported in.

In addition, the monthly City Clerk’s reports do not include comparisons to the certified budget by function.

Recommendation – Investment balances and activity should be included in the City’s general ledger and reported in the monthly City Clerk’s reports by fund. To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (J) Financial Condition – At June 30, 2018, the City reported a deficit balance of \$41,901 in the Capital Projects fund on its Annual Financial Report. In addition, City’s June 2018 Financial Report had ending deficit balances of \$56,361 and \$13,605 in the Enterprise, Water Fund and the Special Revenue, Employee Benefits Funds, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- (K) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Bruce Borchers	Annual employee bonus	\$ 250
David Nerem	Annual employee bonus	250
Terri Meyers	Annual employee bonus	250
Dan Anliker	Reimbursements for food and drinks purchased while on ambulance calls	27
Jay Nissen	Reimbursements for food and drinks purchased while on ambulance calls	10

City of Renwick

Detailed Recommendations

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

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

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

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

- (M) Annual Urban Renewal Report – The tax increment financing (TIF) receipts and ending cash balance reported on the 2017 Annual Urban Renewal Report (AURR) Levy Authority Summary do not agree with the City's records, as the AURR did not report \$25,000 in TIF receipts collected during the year. In addition, although the AURR was certified to the Iowa Department of Management on or before December 1, 2017, it was not approved by the City Council until the December 4, 2017 City Council meeting.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City's records. In addition, the City Council should properly approved the AURR report prior to certifying the report on or before December 1.

City of Renwick

Staff

This engagement was performed by:

Marlys K. Gaston, CPA, Deputy
Ryan J. Pithan, CPA, Senior Auditor II
Brandon J. Vogel, Senior Auditor II
Jon G. Hanson, Staff Auditor