



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Michelle Meyer
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FOR RELEASE

February 1, 2023

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Atkins, Iowa, 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 twenty findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 14 of this report. The findings address issues such as a lack of segregation of duties, variances in the reconciliation of the general ledger balances to bank and investment balances, the lack of utility system and waste management tag reconciliations, disbursements exceeding budgeted amounts, errors in the annual financial report, City Council meeting minutes not published within fifteen days as required and deficit fund balances. Sand provided the City with recommendations to address each of the findings.

Sixteen of the twenty findings discussed above are repeated from the prior year report. 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 [Audit Reports – Auditor of State](#).

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CITY OF ATKINS

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

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

City of Atkins



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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

January 12, 2023

Officials of the City of Atkins
Atkins, 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 Atkins, Iowa, 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 Atkins 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 Atkins

Officials

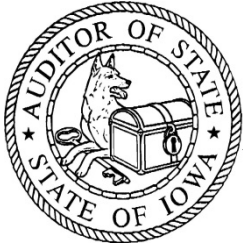
(Before January 2020)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|----------------------|---------------------|
| Bruce Visser | Mayor | Jan 2022 |
| Tim Harbach | Council Member | Jan 2020 |
| Rodney Haerther | Council Member | Jan 2020 |
| Heather Rinderknecht | Council Member | Jan 2022 |
| Robert Spading | Council Member | Jan 2022 |
| Joey Svejda | Council Member | Jan 2022 |
| Amber Bell | City Clerk/Treasurer | Indefinite |
| Don Hoskins | Attorney | Indefinite |

(After January 2020)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|----------------------|---------------------|
| Bruce Visser | Mayor | Jan 2022 |
| Heather Rinderknecht | Council Member | Jan 2022 |
| Robert Spading | Council Member | Jan 2022 |
| Joey Svejda | Council Member | Jan 2022 |
| Lana Robison | Council Member | Jan 2024 |
| Nathan Shepherd | Council Member | Jan 2024 |
| Amber Bell | City Clerk/Treasurer | Indefinite |
| Don Hoskins | Attorney | Indefinite |

City of Atkins



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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 Atkins for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Atkins' 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 Atkins' 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 purposes.

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 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. 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 Atkins' 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 and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 matter might have come to our attention that would have been reported to you.

We are required to be independent of the City of Atkins 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 Atkins 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.


Michelle B. Meyer, CPA
Director

January 12, 2023

Detailed Findings and Recommendations

City of Atkins

Detailed Findings and Recommendations

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

(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, recording and custody.
- (2) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (3) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Accounting system – performing all general accounting functions, having custody of assets and controlling all data input and output.
- (6) Financial reporting – preparing and reconciling.
- (7) City Clerk’s Report – Although prepared monthly, there is no independent review of the City Clerk’s Report.

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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and delinquent utility listings were not reviewed.

Recommendation – Utility billings, collections and delinquent accounts should be reconciled monthly and the listing of delinquent accounts should be reviewed by an independent party on a routine basis. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(C) Bank Reconciliations – Although monthly bank reconciliations were prepared throughout the year, there was no evidence of an independent review of them. We reviewed the bank reconciliation reports prepared for April 30, 2020 and June 30, 2020 using the City’s accounting system and determined they agreed with the April 30, 2020 and June 30, 2020 bank statements, respectively. However, sufficient reports, such as the outstanding transactions, were not available for us to verify the accuracy of the reconciliations.

Recommendation – City officials should establish procedures to ensure an independent person reviews the reconciliations in a timely manner, documents the review by signing or initialing and dating the monthly reconciliations, and investigates and resolves any variances in a timely manner. In addition, City officials should ensure sufficient documentation is available to verify the accuracy of the bank reconciliation report.

City of Atkins

Detailed Findings and Recommendations

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

- (D) Payroll – For three employees observed, there was no evidence of approval by the City Council for the wage rates paid. We also determined the former City Clerk created an unauthorized resolution document with the same number and effective date of an authorized resolution. However, the unauthorized resolution document included a pay rate for her position that exceeded the pay rate on the signed resolution approved by the City Council. The other pay rates listed on the unauthorized resolution were not changed. Additional information regarding the two resolution documents and extended payroll testing is included in a report of a Special Investigation of the City issued by the Office of Auditor of State on February 1, 2023 and available on the Office of Auditor of State’s website.

Recommendation – City officials should ensure all wage rates are approved by the Council. In addition, someone independent of preparing payroll should review disbursements to ensure authorized pay rates are used and payments are properly calculated.

- (E) Computer System – The following weaknesses in the City’s computer system were identified. The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring password changes because the software does not require the user to change log-ins/passwords periodically.
- Requiring backups be performed daily and stored off site.

Also, the City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop written policies and procedures 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) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, community and economic development, capital projects and the enterprise 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.”

Additionally, the May 18, 2020, City Council meeting minutes discussed the approval of a budget amendment, however, a budget amendment was not filed with the Benton County Auditor or the Department of Management.

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. In addition, all budget amendments approved by the City Council should be properly filed with the County Auditor and Department of Management.

City of Atkins

Detailed Findings and Recommendations

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

- (G) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The 2020 Annual Financial Report (AFR) did not accurately report the ending fund balances for fiscal year 2020. The ending governmental fund balance reported in the AFR was \$1,975 greater than the reconciled bank balances.

Additionally, total miscellaneous receipts reported in the AFR were higher than the general ledger by \$11,461, while total receipts for charges for fees and service were lower than the general ledger by \$11,425. Disbursements for the public works function and the debt service function reported in the AFR were both lower than the general ledger by \$46,831 and \$21,417, respectively, while transfers out were higher than the general ledger by \$67,748.

Recommendation – The City should ensure the AFR receipts, disbursements, transfers and fund balances agree with the City’s financial records.

- (H) Initial Receipts Listing – An initial listing of collections was not prepared.

Recommendation – An initial listing of collections should be prepared and compared to the bank deposit and the accounting records by an independent person. Evidence of this review should be documented.

- (I) Petty Cash – Petty cash funds on hand at the Library were not maintained on an imprest basis. 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. Vendor receipts support the periodic replenishment of the petty cash back to the authorized amount.

Recommendation – The City Council should approve a fixed, authorized amount to be maintained in each petty cash fund. The petty cash fund should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

- (J) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires all minutes of City Council meetings be properly signed. For one of the four meeting minutes observed, minutes for the meetings were not properly signed.

Recommendation – The City should comply with the Code of Iowa and minutes of the City Council meetings should be signed to authenticate the actions taken.

- (K) Disbursements – Invoices and other supporting documentation was not available for four of the thirty disbursements traced from the City’s bank account. Of the four unsupported disbursements identified, three were credit card payments which were not supported by original vendor receipts.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. Purchases made with credit cards should be supported by original vendor receipts and the original receipts should be reconciled to monthly statements.

City of Atkins

Detailed Findings and Recommendations

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

- (L) Deficit Balance – The Enterprise, Water Fund had a deficit balance of \$290,002 at June 30, 2020.

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

- (M) Utility Billings – Chapter 388.6 of the Code of Iowa states, “A city utility or a combined utility system may not provide use or service at a discriminatory rate, except to the city or its agencies...”. The City allows a lower recycling fee for senior citizens.

Recommendation – The City should charge all utility customers for service in accordance with Chapter 388.6 of the Code of Iowa and the City’s utility ordinances.

- (N) Waste Management Tags – Manual receipts are prepared for collections from the sale of waste management tags. However, sufficient records are not maintained which allowed us to determine if all collections are properly recorded. Specifically, beginning and ending inventory counts are not recorded and properly reconciled with purchases and sales of waste management tags and the number of tags on hand.

Recommendation – Receipts from the sale of waste management tags should be recorded in the City’s accounting system and City officials should implement procedures which ensure periodic inventories of waste management tags are performed. Specifically, the beginning and ending inventory of the tags on hand should be reconciled with purchases and sales of waste management tags, including any excess tags that are repurchased from residents. In addition, the number of tags purchased should be reconciled to billings from the vendor and the number of tags sold should be reconciled to the manual receipts maintained by the City to ensure all collections are properly recorded and subsequently deposited. The reconciliations should be performed by someone independent of the custody and recordkeeping duties associated with the tags and any variances should be resolved in a timely manner.

- (O) Journal Entry Documentation – Journal entries were not properly supported and were not approved by an independent person.

Recommendation – The City should ensure supporting documentation is maintained which substantiates all journal entries. In addition, journal entries should be reviewed and approved by an independent person and evidence of the approval should be documented.

- (P) Sewer Revenue Bonds and Notes – In accordance with the sewer revenue bond resolution, bond principal and interest are payable solely from sewer revenues. For the fiscal year ending June 30, 2020, the City paid the sewer revenue bond principal and interest from the Debt Service Fund and reimbursed the Debt Service Fund with a transfer from the Enterprise, Sewer Fund.

In addition, the City’s sewer revenue note resolution requires the City to establish a reserve account in an amount equal to the lesser of the maximum amount of the principal and interest coming due, ten percent of the stated principal amount or 125% of the average annual principal and interest coming due. The City has not established a reserve account.

Recommendation – The City should establish the reserve account in appropriate amounts, as required. Also, future payments on the sewer revenue bonds should be made directly from the Enterprise, Sewer Fund, as required.

City of Atkins

Detailed Findings and Recommendations

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

- (Q) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was not certified to the Iowa Department of Management on or before December 1. In addition, the City overstated the amount of TIF disbursements reported on the AURR by \$1,500.

Recommendation – The City should file the AURR timely and ensure amounts reported on the AURR agree with the City’s financial records.

- (R) Transfers – The City transfers money to and from various funds periodically. Transfers made during the fiscal year ended June 30, 2020 were not approved by the City Council and resolutions regarding the transfers were not available.

Recommendation – Effective April 17, 2019, Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the affected funds and the dollar amount to be transferred. The City Council should approve all fund transfers prior to the actual transfer by resolution as required and ensure resolutions are properly passed.

- (S) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

In December 2014 the City certified \$171,733 of project costs as an internal loan from the General Fund for the Cardinal Avenue extension project. The interfund loan was established by resolution on November 17, 2014. The City was unable to provide evidence the interfund loan was repaid to the General Fund.

Recommendation – The City should ensure the interfund loan established as TIF debt is repaid to the General Fund from the Special Revenue, TIF Fund.

- (T) Receipts and Deposits – Total deposits per the March 2020 bank statement did not reconcile to the total receipts per the City Clerk’s monthly financial report for March. The bank deposits were \$4,025 less than the recorded receipts.

Recommendation – The City should ensure total deposits per the monthly bank statements reconcile to total receipts per the City’s monthly financial records.

- (U) Special Investigation – In addition to the agreed-upon procedures performed for the City of Atkins, Iowa, for the period July 1, 2019 through June 30, 2020, we also performed a special investigation of the City of Atkins, Iowa, for the period of July 1, 2015 through January 31, 2021. The special investigation was completed, and a report was issued by the Auditor of State on February 1, 2023 and is available on the Office of Auditor of State’s website. The report includes the concerns identified regarding internal controls, utility billings and collections, payroll and withholdings, disbursements, and credit card transactions.

City officials have 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.

City of Atkins

Detailed Findings and Recommendations

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

The Office of Auditor of State released annual “Agreed-upon Procedures Reports” for the fiscal years ended June 30, 2013 through June 30, 2019 and a financial statement audit report for the year ended June 30, 2010. Each report included a number of recommendations for improvements regarding the following fiduciary areas:

- Segregation of duties related to the handling of cash, receipts, disbursements, payroll, utilities, and financial reporting.
- Bank reconciliations.
- Reconciliations of utility billings, collections, and delinquent accounts.
- Payroll.
- Computer systems
- Initial receipts listings.
- Petty cash.
- Waste management tags

The reports also included findings related to compliance with the Code of Iowa for certified budgets, City Council meeting minutes, and annual financial reports.

Had City officials developed and implemented policies and procedures to segregate duties, review bank reconciliations, required and reviewed utility reconciliations, and maintained supporting documentation, City officials may have identified undeposited utility collections and improper disbursements earlier. In addition, the implementation of controls may have reduced the opportunity for the City’s funds to be improperly disbursed or not properly deposited.

Recommendation – Oversight by City officials is essential and should be an ongoing effort. City officials should exercise due care and review all pertinent information. City officials should also ensure sufficient information is prepared and provided to them for making decisions and appropriate policies and procedures are adopted, implemented, and monitored to ensure compliance. For example, bank statements should be delivered to an official who does not collect or disburse City funds. The bank statements should be reviewed in a timely manner for unusual activity. Bank reconciliations should be performed monthly and reviewed by someone independent of other financial responsibilities. In addition, utility reconciliations should be reviewed by City officials. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

City of Atkins

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director
Annette K. Campbell, CPA, Chief Deputy
Ryan T. Jelsma, CFE, Manager
Ridge G. Nennig, Staff Auditor
Julius Cooper, Assistant Auditor