



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

Rob Sand  
Auditor of State

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

**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

FOR RELEASE

March 22, 2023

---

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Remsen, Iowa and the Remsen Municipal Utilities (Utilities) for the period July 1, 2021 through June 30, 2022. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported four findings for the City and three findings for the Utilities related to the receipt and disbursement of taxpayer funds. They are found on pages 9 and 10 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts and a questionable disbursement. Sand provided the City and the Utility with recommendations to address each of the findings.

Three of the seven findings discussed above for the City and the Utility are repeated from the prior year report. The City Council and the Utilities Board have a fiduciary responsibility to provide oversight of the City's and the Utility'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](#).

###

**CITY OF REMSEN AND  
REMSen MUNICIPAL UTILITIES**

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

**FOR THE PERIOD  
JULY 1, 2021 THROUGH JUNE 30, 2022**

**City of Remsen and  
Remsen Municipal Utilities**



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

Rob Sand  
Auditor of State

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

March 13, 2023

Officials of the City of Remsen and the Remsen Municipal Utilities  
Remsen, Iowa

Dear Honorable Mayor, Members of the City Council and Utility Board Members:

I am pleased to submit to you the agreed-upon procedures report for the City of Remsen, Iowa, and the Remsen Municipal Utilities for the period July 1, 2021 through June 30, 2022. 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 Remsen and the Remsen Municipal Utilities 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

## Table of Contents

		<u>Page</u>
Officials		3
Auditor of State's Independent Report on Applying Agreed-Upon Procedures		5-7
Detailed Findings and Recommendations:	<u>Finding</u>	
<b><u>City:</u></b>		
Segregation of Duties	A	9
Certified Budget	B	9
Disbursements	C	9
Annual Urban Renewal Report	D	9
<b><u>Utilities:</u></b>		
Segregation of Duties	A	10
Bank Reconciliations	B	10
Questionable Disbursements	C	10
Staff		11

**City of Remsen and  
Remsen Municipal Utilities**

**Officials**

**(Before January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>City:</b>		
Joel Fisch	Mayor	Jan 2024
Josh Hill	Council Member	Jan 2022
Ann Cole-Nelson	Council Member	Jan 2022
Dave Sonnichsen	Council Member	Jan 2022
Mindy Klein	Council Member	Jan 2024
Kendra Rensink	Council Member	Jan 2024
Rachel Keffeler	City Administrator	Indefinite
Barry Thompson	Attorney	Indefinite
<b>Utilities:</b>		
Kim Keleher	Board of Trustees	Jan 2022
Lee Galles	Board of Trustees	Jan 2024
Dean Douvia	Board of Trustees	Jan 2026
Chris Poeckes	Superintendent	Indefinite
Courtney Loutsch	Utility Clerk	Indefinite

**(After January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>City:</b>		
Joel Fisch	Mayor	Jan 2024
Mindy Klein	Council Member	Jan 2024
Kendra Rensink	Council Member	Jan 2024
Jeff Cluck	Council Member	Jan 2026
Josh Hill	Council Member	Jan 2026
Ann Cole-Nelson	Council Member	Jan 2026
Rachel Keffeler	City Administrator	Indefinite
Barry Thompson	Attorney	Indefinite
<b>Utilities:</b>		
Lee Galles	Board of Trustees	Jan 2024
Dean Douvia	Board of Trustees	Jan 2026
Deanna Bohnenkamp	Board of Trustees	Jan 2028
Mike Wurth	Superintendent	Indefinite
Alicia Hoffman	Utility Clerk	Indefinite

**City of Remsen and  
Remsen Municipal Utilities**



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor, Members of the City Council  
and Utilities Board of Trustees:

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 Remsen, Iowa, and the Remsen Municipal Utilities for the period July 1, 2021 through June 30, 2022, including procedures related to the City's and Utilities' compliance with certain Code of Iowa requirements identified below. The City of Remsen's and Utilities' management, which agreed to the performance of the procedures performed, are responsible for compliance with these requirements and for the City's and Utilities' 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 Remsen's and Utilities' management have 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 and Utilities including the City's and Utilities' 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 and Utilities Board 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 and the Utilities' 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 and the Utility 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 and the Utilities Board.
5. We scanned City's and the Utilities' 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 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's and Utilities' 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 for 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 and the Utilities. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Remsen's and the Remsen Municipal Utilities' 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 and the Utilities, 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 Remsen and the Utilities' Management 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 and the Utilities, including the City's and the Utilities' 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 Remsen and the Remsen Municipal Utilities 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.



Brian R. Brustkern, CPA  
Director

March 13, 2023

## **Detailed Findings and Recommendations**

City of Remsen and  
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

**City:**

(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 and recording.
- (2) Investments – custody and detailed recordkeeping.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.

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) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amount budgeted in public safety 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.

(C) Disbursements – Three of thirty disbursements observed included sales tax totaling \$29.

Recommendation – Procedures should be established to ensure the City does not pay sales tax.

(D) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was approved and certified to the Iowa Department of Management on or before December 1, as required. However, the amount reported as TIF debt outstanding on the Levey Authority Summary was understated by \$30,000 when compared to the City's records.

Recommendation – The City should implement procedures to ensure the amounts reported on the Levey Authority Summary agree with the City's records.

City of Remsen and  
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

**Utilities:**

(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 Utilities' financial statements. Generally, one individual has control over each of the following areas for the Utilities:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – custody and detailed recordkeeping.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Utilities 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 – One of two Utilities bank reconciliations observed did not indicate evidence of an independent review.

Recommendation – An independent person should review the Utilities' bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and the Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. A disbursement we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion since the public benefits to be derived have not been clearly documented was noted. One of thirty disbursements observed was for two \$25 Chamber Bucks gift certificates for employee recognition.

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 Board of Trustees should determine and document the public purpose served by the disbursement before authorizing any further payments. If this practice is continued, the Utilities should establish written policies and procedures, including the requirements for proper documentation.

City of Remsen and  
Remsen Municipal Utilities

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Director  
Ryan J. Pithan, CPA, Manager  
Allison L. Carlon, Staff Auditor  
Mackenzie L. Johnson, Staff Auditor