



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

Rob Sand  
Auditor of State

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**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

FOR RELEASE

June 9, 2023

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Riverdale, Iowa, 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 fourteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank and utility reconciliations, disbursements exceeding budgeted amounts and deficit cash balances. Sand provided the City with recommendations to address each of the findings.

Nine of the fourteen findings discussed above are repeated from the prior year. 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 website at [Audit Reports – Auditor of State](#).

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**CITY OF RIVERDALE**

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

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

**City of Riverdale**



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May 18, 2023

Officials of the City of Riverdale  
Riverdale, 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 Riverdale, Iowa, 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 Riverdale 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, appearing to read "Rob Sand", written in a cursive style.

Rob Sand  
Auditor of State

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**City of Riverdale**

**Officials**

**(Before January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Bawden	Mayor	Jan 2022
Paul DCamp	Council Member	Jan 2022
Anthony Heddleston	Council Member	Jan 2022
Kevin Adams	Council Member	Jan 2024
Kelly Krell	Council Member	Jan 2024
Doug Littrell	Council Member	Jan 2024
Kent Royster	Administrator/Clerk	Indefinite
Katie Enloe	Deputy City Clerk/Treasurer	(Resigned Nov 2021)
Paul Macek	Attorney	Indefinite

**(After January 2022)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Anthony Heddleston	Mayor	Jan 2024
Kelly Krell	Council Member	(Resigned Feb 2022)
Beth Halsey (Appointed)	Council Member	Nov 2023
Kevin Adams	Council Member	Jan 2024
Doug Littrell	Council Member	Jan 2024
Paul DCamp	Council Member	Jan 2026
Vincent Jurgena	Council Member	Jan 2026
Kent Royster	Administrator/Clerk	Indefinite
Kelly Krell	Deputy City Clerk/Treasurer	Indefinite
Paul Macek	Attorney	Indefinite

**City of Riverdale**



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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 Riverdale for the period July 1, 2021 through June 30, 2022, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Riverdale'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 City of Riverdale's 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 2022 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 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. The City had no transfers.
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, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Riverdale's 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 matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Riverdale 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 Riverdale 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

May 18, 2023

## **Detailed Findings and Recommendations**

City of Riverdale

Detailed Findings and Recommendations

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

(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 – investing, recordkeeping and custody.
- (3) Receipts – collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – invoice processing, check writing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – entering rates, billing, depositing and posting.
- (7) Journal entries – preparing, recording, approval and review.
- (8) Long-term debt - maintaining records, recording and reconciling.

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) Journal Entries – Journal entries were not reviewed and approved by an independent person. In addition, the two journal entries tested were not supported.

Recommendation – Journal entries should be supported by documentation as to the reason, then reviewed and approved by an independent person. The approval should be documented by the signature or initials of the reviewer and the date of the review.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing for each billing period was not maintained.

Recommendation – A listing of delinquent accounts should be prepared for each billing period. 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 of the reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

City of Riverdale

Detailed Findings and Recommendations

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

- (D) Bank Reconciliations – Although the City’s accounting system generates a Reconciliation Summary, the reconciling items were not received, and the account balances per the bank statements and the Reconciliation Summary were not traced to the general ledger balances. In addition, the listing of outstanding checks was not accurate as it contained checks that had cleared the bank.

Recommendation – To improve financial accountability and control, the City should establish procedures to ensure bank account balances are reconciled to the general ledger each month, including an accurate listing of outstanding checks. In addition, the reconciliations should be reviewed by an independent person, and the review should be documented by the initials or signature of the reviewer and the date of the review.

- (E) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation, general government 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.

- (F) Financial Condition – The Special Revenue, Tax Increment Financing Fund and the Enterprise, Sewer Fund had deficit balances of \$297,764 and \$302,008, respectively at June 30, 2022.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (G) Annual Financial Report – The total receipts, disbursements and ending fund balances reported on the City’s Annual Financial Report (AFR) for the year ended June 30, 2022 did not agree with the City’s financial records.

Recommendation – The City should establish procedures to ensure amounts reported on the AFR agree with the City’s financial records.

- (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 two meetings observed were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and ensure minutes are published within fifteen days of the meeting, as required.

City of Riverdale

Detailed Findings and Recommendations

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

(I) Receipts – Based on an observation of the Revenue History Report, entries made in the general ledger were not always timely, proper or made to the proper account. The following were noted:

- \$22,947 of receipts received by the bank in December 2021, as electronic funds transfers and interest from the bank, were not entered into the general ledger until January 31, 2022.
- An entry made on January 31, 2022 for \$24,390 was not supported by the bank statement.
- An entry made on May 13, 2022 for \$200,134 appears to be a duplicate entry of the prior month’s property taxes.
- A receipt for \$2,250 related to FEMA was deposited in the LOST Fund when it should have been deposited in the General Fund.

Recommendation – The City should implement procedures to ensure all receipts are recorded timely, properly and are supported.

(J) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which 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. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Internal Revenue Service	Tax, penalty and interest	\$ 2,331
Machine Shed	EMS appreciation dinner	1,230
Total Detailing Auto Spa	Sales tax	14
WalMart	Sales tax	5
Party City	Sales tax	3
Amazon	Sales tax	2
Apple	Sales tax	2

According to the opinion, it is possible for certain 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.

As a governmental entity, the City maintains a tax-exempt status. As a result, the City should not incur any sales tax.

In addition, the City made an additional payment for \$265 to a vendor in error.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation. The City should also implement procedures to ensure sales tax is not paid for purchases made for City operations.

City of Riverdale

Detailed Findings and Recommendations

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

- (K) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall 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. Chapters 403.19(10) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

The City has certified a total of \$77,981 to the County Auditor as TIF debt. However, through June 30, 2022, the City has paid a total of \$427,926 from the Tax Increment Financing Fund primarily for engineering costs and legal fees, or \$349,945 more than was certified. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this matter. In the future, if the City makes disbursement for a qualified TIF obligation, the City should pay these costs from an allowable fund, such as the General Fund, and may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

- (L) Annual Urban Renewal Report – The City overstated the beginning and ending cash balances, on the Annual Urban Renewal Report Levy Authority Summary by \$134,291 and \$327,964, respectively. In addition, the TIF disbursements reported on the Annual Urban Renewal Report Levy Authority Summary were understated by \$193,673.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City's records.

- (M) Payroll Records – Iowa Code section 91A.6(1.d) requires employers to establish, maintain, and preserve payroll records for three calendar years the payroll records showing the hours worked, wages earned, and deductions made for each employee and any employment agreements entered into between an employer and employee. The payroll records were not complete during fiscal year 2022.

Recommendation – The City should comply with Iowa Code and maintain payroll records for at least three years.

- (N) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations, as required.

Recommendation – Outstanding obligations should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

City of Riverdale

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Director  
Pamela J. Bormann, CPA, Manager  
Allison L. Carlon, Staff Auditor