



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Michelle Meyer
515/281-5834

FOR RELEASE

September 22, 2023

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Renwick, 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 13 of this report. The findings address issues such as a lack of segregation of duties, the lack utility reconciliations, and disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address each of the findings.

Thirteen 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 RENWICK

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

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

City of Renwick



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August 28, 2023

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 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 Renwick 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".

Rob Sand
Auditor of State

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City of Renwick

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Taylor Kunert	Mayor	Jan 2022
Rusty Bell	Council Member	Jan 2022
Gary Loftus	Council Member	Jan 2022
Dylan Nelson	Council Member	Nov 2021
Vaughn Reekers	Council Member	Jan 2022
Bob Wolf	Council Member	Jan 2022
Diane Marty	City Clerk	Indefinite
Gary Stoebe	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Taylor Kunert	Mayor	Jan 2024
Rusty Bell	Council Member	(Resigned Apr 2022)
Andrew Berte (Appointed May 2022)	Council Member	Nov 2023
Vaughn Reekers	Council Member	Jan 2024
Bob Wolf	Council Member	Jan 2024
Gary Loftus	Council Member	Jan 2026
Dylan Nelson	Council Member	Jan 2026
Diane Marty	City Clerk	Indefinite
Gary 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 procedures to selected accounting records and related information of the City of Renwick 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 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 City of Renwick'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 Renwick'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 Renwick 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 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.

A handwritten signature in black ink that reads "Michelle Meyer". The signature is written in a cursive, flowing style.

Michelle B. Meyer, CPA
Director

August 28, 2023

Detailed Findings and Recommendations

City of Renwick

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, custody and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (4) Utilities – enter rates in the system, billings, 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 – enter rates in the system, 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 account balances throughout the year; however, the reconciliations did not include the investment balances which totaled \$24,606 at June 30, 2022. 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 Findings and Recommendations

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

- (D) Reconciliation of Ambulance Billings, Collections and Delinquent Accounts – The City contracts with an outside entity for ambulance billings. Ambulance billings, collections and delinquent accounts were not reconciled throughout the year by the City or the outside entity and a delinquent account listing was not prepared monthly.

Recommendation – Procedures should be established to reconcile ambulance 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.

- (E) 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 copies of certificates of deposit were obtained, 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.

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.

- (F) 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 receipts, all accounts due the City, and all expenditures...” We reviewed the AFR for the year ended June 30, 2022, along with the City’s general ledger and noted the following:

- 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, 2022 AFR.
- Amounts reported on the Part V, Debt Outstanding, Issued, and Retired section of the June 30, 2022 AFR did not agree with City records.

Recommendation – The City should ensure all debt activity is properly reported on the Part V, Debt Outstanding, Issued and Retired section on its AFR.

City of Renwick

Detailed Findings and Recommendations

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

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings, including 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. The following were noted:

- Minutes for one of four meetings observed were not published within fifteen days.
- Minutes for all four meetings observed did not include total disbursements from each fund.
- Minutes for all four meetings observed did not include a summary of all receipts.

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

- (H) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety function. 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.

- (I) Payroll – Timesheets do not include evidence of supervisory review. In addition, for two employee pay rates observed, evidence of approved employee salaries and hourly rates by the City Council could not be located.

Recommendation – Timesheets should be reviewed and approved by supervisory personnel or City officials prior to the preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. In addition, employee salaries and hourly rates, including increases, should be approved by the City Council and the approval should be adequately documented in the City Council minutes.

- (J) Monthly City Clerk’s Report – Monthly City Clerk’s reports showing receipts, disbursements, transfers and balances for each fund are not prepared.

Recommendation – The City Clerk should prepare a monthly report showing receipts, disbursements, transfers and balances for each 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.

- (K) Financial Condition – At June 30, 2022, the City reported deficit balances of \$8,634, \$68,966 and \$153,799 in the Special Revenue, Employee Benefits Fund, the Capital Projects Fund and the Enterprise, Water Fund, respectively.

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

City of Renwick

Detailed Findings and Recommendations

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

- (L) Credit Card – The City has 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) Payment of General Obligation Notes – Principal and interest on the City’s general obligation equipment acquisition notes were paid from the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "A city shall establish a debt service fund and shall certify taxes to be levied for the debt service fund in the amount necessary to pay: a) judgments against the city, except those authorized by state law to be paid from other funds". Chapter 384.4 goes on to state, “moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the notes should be made from the Debt Service Fund, as required.

- (N) Library Board of Trustees – Chapter 42 of the Renwick City Code of Ordinances establishes a City Library. The City ordinance also establishes a Board of Trustees of the library, hereafter referred to as the “Board”, and assigns certain powers and duties to the Board, including the approval of claims, hiring personnel and setting the compensation for library personnel.

According to the ordinance provided by City personnel, the Board consists of six resident members and one non-resident member. All resident members are to be appointed by the mayor with the approval of the City Council and the non-resident member is to be appointed by the mayor with approval of the County Board of Supervisors.

On November 5, 2019, an election was held to change the composition of the Board. The election was held in accordance with Chapter 392.5(3)(a) of the Code of Iowa, which states “a proposal to alter the composition, manner of selection, or charge of a library board, or to replace it with an alternate form of administrative agency, is subject to the approval of the voters of the city.” The public measure on the election ballot stated: “Shall the City of Renwick Library Board be reduced from five (5) Board Members to three (3) Board Members as well as eliminate the requirement of a Board Member elected outside the corporate limits of the City of Renwick?”

The public measure was passed; however, the City ordinance has not been updated. In addition, although the ballot changed the composition of the Board, the ballot did not change the manner in which the Board members are appointed. Also, the City ordinance requires six resident members and the ballot only referred to five members.

City of Renwick

Detailed Findings and Recommendations

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

The Board is now composed of 3 trustees; however, the trustees were not appointed by the mayor with approval of the City Council. Because the trustees were not appointed by the Mayor and approved by the City Council, as required by Chapter 42 of the City ordinance, it is unclear if the Board of Trustees have the powers set forth by the City ordinance, including the approval of claims, hiring personnel and setting the compensation of library personnel.

Recommendation – The City should consult legal counsel to determine the validity of the City’s library Board of Trustees. In addition, the City should update the City ordinance to reflect the composition of the library Board of Trustees approved by the voters of the city.

City of Renwick

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director
Jennifer L. Wall, CPA, Manager
Jared A. Marshall, Staff Auditor
Kelsey R. Sauer, Staff Auditor