



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

NEWS RELEASE

Contact: Jim Cunningham
515/281-5834

FOR RELEASE

August 8, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Ryan, Iowa, for the period July 1, 2022 through June 30, 2023. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported nine findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 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 lack of depository resolution and investment policy. Sand provided the City with recommendations to address each of the findings.

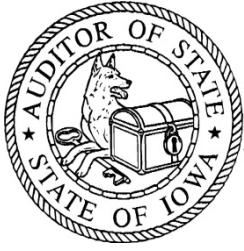
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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 RYAN
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2022 THROUGH JUNE 30, 2023

City of Ryan



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August 1, 2024

Officials of the City of Ryan
Ryan, 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 Ryan, Iowa, for the period July 1, 2022 through June 30, 2023. 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 Ryan 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". The signature is stylized and cursive.

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>
Segregation of Duties	A 9
Bank Reconciliations	B 9
Deposits and Investments	C 9
Financial Condition	D 10
Reconciliation of Utility Billings, Collections and Delinquent Accounts	E 10
Disbursements	F 10
Certified Budget	G 10
Annual Financial Report	H 11
Payroll	I 11
Staff	12

City of Ryan

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Mike Corcoran	Mayor	Jan 2022	Jan 2024
Melvin Campbell	Council Member	Jan 2020	Jan 2024
Mike McElliott	Council Member	Jan 2020	Jan 2024
Wade Feldmann	Council Member	Jan 2022	Jan 2026
Matt Marbach	Council Member	Jan 2022	Jan 2026
Bradley Woods	Council Member	Jan 2022	Jan 2026
Lori Tucker	City Clerk		Indefinite
Doug Hermann	Attorney		Indefinite

City of Ryan



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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 Ryan for the period July 1, 2022 through June 30, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Ryan'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 Ryan'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, journal entries 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. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. 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.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. 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 Ryan'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 Ryan 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 Ryan 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, consisting of a large, stylized initial 'J' followed by a long, horizontal, slightly wavy line that tapers to the right.

James S. Cunningham, CPA
Chief Deputy Auditor of State

August 1, 2024

Detailed Findings and Recommendations

City of Ryan

Detailed Findings and Recommendations

For the period July 1, 2022 through June 30, 2023

(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) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling, recording, and access to credit cards.
- (4) Long-term debt – record keeping, compliance, and debt payment processing.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing, posting, maintaining detailed account records, and entering rates in the system.
- (7) Accounting system – performing all general accounting functions, including journal entries, and having custody of City assets.
- (8) Journal entries are not reviewed and approved by an independent person.
- (9) Financial reporting – preparing 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) Bank Reconciliations – The City has a bank reconciliation function available in the City’s software system; however, the bank reconciliation report does not include evidence of review by the City Clerk or other 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) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Ryan

Detailed Findings and Recommendations

For the period July 1, 2022 through June 30, 2023

- (D) Financial Condition – At June 30, 2023 the City had deficit balances of \$6,503 in the Sewer Fund and \$133 the Veteran’s Memorial Fund. Based on a review of the City’s minutes, the City Council approved transferring \$4,044 from the Sewer Fund to Fund 006 ARPA to bring the ARPA fund to \$0 and close the account. The City Council also approved transferring \$2,372 from the Sewer Fund to the Employee Benefits Fund to bring the fund to a \$0 balance. These two transfers contributed to the \$6,503 deficit balance in the Sewer Fund as of June 30, 2023. The City Council also approved a transfer of \$4,912 from the Local Option Sales Tax Fund to the Veteran’s Memorial Fund, the amount transferred was not sufficient to eliminate the deficit fund balance of the Veteran’s Memorial Fund.

Recommendation – The City should ensure transfers are in the appropriate amounts, properly documented, approved by the City Council and do not result in a deficit balance. If a deficit fund balance occurs, the City should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

- (E) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Although a reconciliation of utility billings, collections and delinquent accounts can be generated by the accounting system, such a report is not generated monthly and verified for accuracy and a delinquent account listing was not prepared monthly. Additionally, during our review we determined that one of the City officials’ accounts had a delinquent balance at June 30, 2023.

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.

- (F) Disbursements – We observed 35 disbursements which included the following:

1. On January 17, 2023 the City issued the City Clerk a reimbursement check for \$630.83. The check stub noted the check included the \$25.00 for the Clerk’s telephone, \$408.00 for stamps, and \$197.83 for paint. However, the supporting documentation provided totaled \$530.83 and included \$197.83 for paint and \$308.00 for postage. The City’s policy supported the Clerk’s \$25.00 reimbursement for personal cell phone usage. The remaining \$100.00 was not supported by documentation.
2. On November 30, 2022, the City paid a late fee of \$40.00 and interest charge of \$9.82 on the City’s credit card.

Recommendation – The City should ensure that all disbursements have proper and complete supporting documentation. In addition, the City should review all disbursements timely in order to avoid interest and late fee.

- (G) Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the debt service and business type 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.”

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.

City of Ryan

Detailed Findings and Recommendations

For the period July 1, 2022 through June 30, 2023

(H) Annual Financial Report – 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 noted the following regarding the City’s 2022 AFR:

- The beginning balances in the fiscal year 2022 AFR do not agree to the prior year ending balance by \$11,965.
- The June 30, 2022 total ending fund balance was overstated by \$13,602 in comparison to the City’s records.

Recommendation – The City should ensure fund balances reported on the AFR agree with the City’s records and beginning balances trace to prior year annual financial report.

(I) Payroll – For the timesheets observed, there was no evidence of review and approval by supervisory personnel.

Recommendation – The City should ensure all timesheets are reviewed and approved.

City of Ryan

Staff

This engagement was performed by:

Ryan T. Jelsma, CFE, Manager
Priscilla M. Ruiz Torres, Senior Auditor
Julius O. Cooper, Staff Auditor
Gono Quaye, Staff Auditor