



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

October 7, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Remsen, Iowa, for the period July 1, 2023 through June 30, 2024. 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 two 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 misclassification of receipts. Sand provided the City and Utility with recommendations to address each of the findings.

Four of the findings discussed above for the City and Utility are repeated from the prior year. 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 website at [Audit Reports – Auditor of State](#).

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**CITY OF REMSEN AND
REMSSEN MUNICIPAL UTILITIES**

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

**FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024**

**City of Remsen and
Remsen Municipal Utilities**



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Rob Sand
Auditor of State

September 20, 2024

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, 2023 through June 30, 2024. 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, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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**City of Remsen and
Remsen Municipal Utilities**

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
City:		
Joel Fisch	Mayor	Jan 2024
Josh Hill	Council Member	(Resigned Sept 2023)
Tom Letsche (Appointed Sept 2023)	Council Member	Nov 2023
Mindy Klein	Council Member	Jan 2024
Kendra Rensink	Council Member	Jan 2024
Jeff Cluck	Council Member	Jan 2026
Ann Cole-Nelson	Council Member	Jan 2026
Rachel Keffeler	City Administrator	Indefinite
Barry Thompson	Attorney	Indefinite
Utilities:		
Dean Douvia	Board of Trustees	(Resigned July 2023)
Lee Galles	Board of Trustees	Jan 2024
Dick Sievers (Appointed July 2023)	Board of Trustees	Jan 2026
Deanna Bohnenkamp	Board of Trustees	Jan 2028
Mike Wurth	Superintendent	Indefinite
Alicia Hoffman	Utility Clerk	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
City:		
Craig Bartolozzi	Mayor	Jan 2028
Jeff Cluck	Council Member	Jan 2026
Ann Cole-Nelson	Council Member	Jan 2026
Tom Letsche	Council Member	Jan 2026
Kendra Rensink	Council Member	Jan 2028
Doug Ruhland	Council Member	Jan 2028
Rachel Keffeler	City Administrator	Indefinite
Barry Thompson	Attorney	Indefinite
Utilities:		
Dick Sievers	Board of Trustees	Jan 2026
Deanna Bohnenkamp	Board of Trustees	Jan 2028
Lee Galles	Board of Trustees	Jan 2030
Mike Wurth	Superintendent	Indefinite
Alicia Hoffman	Utility Clerk	Indefinite

**City of Remsen and
Remsen Municipal Utilities**



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Rob Sand
Auditor of State

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

To the Honorable Mayor and 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, 2023 through June 30, 2024, 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 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 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 were in place and incompatible duties, from a control standpoint, were 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, journal entries 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 were properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2023 Annual Financial Report to determine whether it was completed timely 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 observed 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.



Pam Bormann, CPA
Director

September 20, 2024

Detailed Findings and Recommendations

City of Remsen and
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

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, 2024, exceeded the amounts budgeted in the public works, community and economic development and capital projects functions before the budget was amended on May 22, 2024. In addition, disbursements at year end exceeded the amount budgeted in the culture and recreation 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.

(C) 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 Levy Authority Summary was understated by \$40,000 when compared to the City's records.

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

(D) Receipts – The City recorded \$43,880 of tier I business property tax replacement tax and \$264 of commercial/industrial replacement tax as property tax rather than intergovernmental receipts according to the Uniform Chart of Accounts (COA) recommended by the City Finance Committee. In addition, interest earned on six certificates of deposit totaling \$5,350 was not recorded, resulting in the balances being understated.

Recommendation – The City should implement procedures to ensure all receipts are properly coded and recorded. In addition, interest earned on investments should be verified and reconciled to interest recorded in the general ledger by someone independent of recording investments and related earnings.

City of Remsen and
Remsen Municipal Utilities

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

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) Utility Meeting Minutes – Prior to April 10, 2024, Chapter 372.13(6) of the Code of Iowa required minutes of all Utility proceedings be published within 15 days of the meeting. Minutes for the January 15, 2024 meeting were never published.

Recommendation – The Utility should comply with Chapter 372.13(6) of the Code of Iowa as amended on April 10, 2024 and deliver minutes of all Utility proceedings to a newspaper within 15 days of the meeting.

City of Remsen and
Remsen Municipal Utilities

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Ryan J. Pithan, CPA, Manager
Nolen R. Schultz, Staff Auditor
Gabriel D. Waz, Assistant Auditor