



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Pam Bormann
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FOR RELEASE

October 25, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Radcliffe, 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 fifteen 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 of utility reconciliations, disbursements exceeding budgeted amounts and bank reconciliations not being complete and accurate. 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 RADCLIFFE

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

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

City of Radcliffe



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
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Rob Sand
Auditor of State

October 14, 2024

Officials of the City of Radcliffe
Radcliffe, 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 Radcliffe, 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 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 Radcliffe 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 Radcliffe

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Allen Rudy	Mayor	Jan 2024	Jan 2028
Clint Dickes	Council Member	Jan 2022	Jan 2026
Jessica Krause	Council Member	Jan 2022	Jan 2026
BJ Balvanz	Council Member	Jan 2024	Jan 2028
Roger Handsaker	Council Member	Jan 2024	Jan 2028
Renea Raska	Council Member	Jan 2024	Jan 2028
April Eller	City Clerk/Treasurer		Indefinite
Tom Wynia	Attorney		Indefinite

City of Radcliffe



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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:

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 Radcliffe for the period July 1, 2023 through June 30, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Radcliffe'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 Radcliffe'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 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 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 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 reflected 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 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 Radcliffe'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 Radcliffe 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 Radcliffe 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 "Pam Bormann". The signature is written in a cursive, flowing style.

Pam Bormann, CPA
Director

October 14, 2024

Detailed Findings and Recommendations

City of Radcliffe

Detailed Findings and Recommendations

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

(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 – recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable.
- (5) Disbursements – purchasing, invoice processing, check writing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping and preparing.
- (7) Long-term debt – recordkeeping, compliance and debt payment processing.

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 – Although monthly bank reconciliations were prepared for the City's checking account, a complete reconciliation including investments was not prepared. The bank reconciliations completed were not reviewed by an independent person. Additionally, at June 30, 2024, the bank balance was \$11,102 higher than the City's book balance.

Also, the listing of outstanding checks was not accurate as it contained checks which had cleared the bank.

Recommendation – The City should establish procedures to ensure all bank and investment account balances are reconciled to the City Clerk's report and to the general ledger monthly and variances, if any, are reviewed and resolved timely. In addition, an accurate listing of outstanding checks should be prepared. The reconciliations should be reviewed by an independent person, and the review should be documented by the signature or initials of the reviewer and the date of the review.

City of Radcliffe

Detailed Findings and Recommendations

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

- (C) Monthly City Clerk's Report – The monthly City Clerk's report presented to the City Council for approval does not include a comparison of total disbursements to the certified budget by function.

Recommendation – 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. The City Council or a designated member should review and approve the monthly City Clerk's reports and the review and approval should be documented by the signature or initials of the reviewer and the date of the review.

- (D) Investments – The City did not maintain an accounting record/register for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number.

Recommendation – The City should maintain an accounting record/register for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number.

- (E) 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 was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public works and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works and culture and recreation 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.

- (G) Depository Resolution – A resolution naming official depositories was not adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – 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 Radcliffe

Detailed Findings and Recommendations

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

- (H) Private Nonprofit Organization – During the year ended June 30, 2024, the City donated \$100 to Mid-Iowa Community Action, a private, nonprofit corporation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private nonprofit corporations. Article III, Section 31 of the Constitution states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim, be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government could perform directly.” The Opinions further state, “Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal - governmental entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by the government, the private organization are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private nonprofit corporations. If the nonprofit organization provides a service to the City, the City may enter into a contract for services. The agreement should detail the services provided and the cost of those services, as well as provide transparency for the City which allows confirmation the funds were spent as agreed and a clawback provision in the event they were not spent as agreed. If the donation is not providing a service to the City, the City should immediately cease making such donations.

- (I) Disbursements – Three of thirty transactions observed included interest and late fees totaling \$355. Additionally, one of the thirty transactions observed was mathematically incorrect and resulted in an overpayment of \$3.

Recommendation – The City should establish procedures to ensure all payments are timely to avoid interest and late fees and are reviewed for mathematical accuracy to avoid overpayments.

City of Radcliffe

Detailed Findings and Recommendations

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

- (J) Payroll – For five of five employees observed, timesheets did not include evidence of supervisory review. In addition, the wage increase approved by the City Council for the City Clerk’s salary was a percentage increase and not a salary or hourly rate.

Recommendation – Procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review and approval should be documented by the supervisor’s signature or initials and the date approved. In addition, wage rates and increases should be adequately documented in the minutes as an approved hourly rate or salary and not just a percentage increase, to ensure the actual pay rate is clearly documented.

- (K) Long-Term Debt – The City issued general obligation bonds for ambulance equipment in July 2018. A detailed listing of principal and interest payments could not be located.

Recommendation – The City should maintain all long-term debt agreements for recordkeeping and reconciling purposes.

- (L) Annual Urban Renewal Report – The amounts reported on the Levy Authority Summary in the Annual Urban Renewal Report (AURR) for the fiscal year ended June 30, 2023 included the following:

1. The amount reported as TIF debt outstanding was understated in total by \$3,210 which was primarily related to paying agent fees and wire transfer fees not certified by paid for by TIF funds.
2. TIF disbursements were overstated by \$35,600.
3. The beginning cash balance for the TIF Special Revenue Fund was understated by \$533.

In addition, the AURR was certified to the Iowa Department of Management by December 1st as required by Chapter 384.22 of the Code of Iowa; however the AURR was not reviewed and approved by December 1st by the City Council as required by Chapter 384.22(2)(a).

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City’s records and the AURR is approved by the City Council in a timely manner.

- (M) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be signed by the City Clerk. Four of four meeting minutes observed were not signed as required.

Recommendation – The City should comply with the Code of Iowa and ensure all City Council meeting minutes are signed by the City Clerk.

- (N) Timely Deposits – Two out of thirty-one receipts from the State of Iowa were deposited 41 and 65 days after issuance. The length of time between the State of Iowa issuance and the deposit of the receipt was deemed to be not deposited timely.

Recommendation – The City should establish procedures to ensure that all receipts are deposited timely (within 30 days).

City of Radcliffe

Detailed Findings and Recommendations

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

- (O) Petty Cash – The City Library utilizes a petty cash fund; however, the Library does not have a policy for the petty cash fund specifying proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund. Additionally, the petty cash fund on hand at the Library was not maintained on an imprest basis and vouchers for petty cash purchases were not retained. An imprest system is one in which petty cash is maintained at a fixed, authorized amount and all distributions from the petty cash fund are documented with a vendor receipt. In addition, there was a \$57 variance between the authorized amount and the cash on hand.

Recommendation – The City Library should establish a petty cash fund policy which includes proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund. Petty cash funds should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

City of Radcliffe

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director
Katherine L. Rupp, CPA, Manager
Allison L. Carlon, Staff Auditor
Amila Tursunovic, Staff Auditor