



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE August 31, 2015 6:00 p.m.

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Riverside, Iowa for the period July 1, 2013 through June 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. The City should also ensure payroll and disbursements are reviewed by an independent person for propriety and compliance with established City policy.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0886-BLOF.pdf>.

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CITY OF RIVERSIDE

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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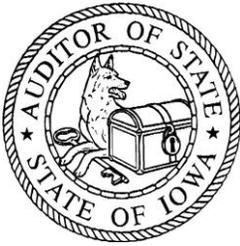
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City of Riverside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Bill Poch	Mayor	Jan 2014
Kevin Kiene	Council Member	Jan 2014
Ralph Schnoebelen	Council Member	Jan 2014
Nate Kasdorf	Council Member	Jan 2016
Chris Kirkwood	Council Member	Jan 2016
Bob Schneider	Council Member	Jan 2016
Russell Rogerson	City Administrator/City Clerk	(Resigned May 2015)
Lory Young	Deputy City Clerk	Indefinite
Les Lamping	Attorney	Jan 2014
William J. Sueppel	Attorney	Indefinite
<u>(After January 2014)</u>		
Bill Poch	Mayor	Jan 2018
Nate Kasdorf	Council Member	Jan 2016
Chris Kirkwood	Council Member	Jan 2016
Bob Schneider	Council Member	Jan 2016
Ralph Schnoebelen	Council Member	Jan 2018
Tom Sexton	Council Member	Jan 2018
Russel Rogerson	City Administrator/City Clerk	(Resigned May 2015)
Lory Young	Deputy City Clerk	Indefinite
William J. Sueppel	Attorney	Indefinite

City of Riverside



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Riverside for the period July 1, 2013 through June 30, 2014. The City of Riverside's management, which agreed to the performance of the procedures performed, is responsible 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 sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested of for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed 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 reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed 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 reviewed 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 reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed and tested 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.
10. We reviewed 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Riverside, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Riverside, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Riverside and other parties to whom the City of Riverside may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Riverside 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 29, 2015

Detailed Recommendations

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas:
- (1) Cash – handling, reconciling and recording.
 - (2) Investments – investing, recording and custody.
 - (3) Receipts – collecting, recording, depositing, journalizing and reconciling.
 - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Transfers – recording and reconciling.
 - (8) Financial reporting – preparing, reconciling and distributing.
 - (9) Accounting system – performing all general accounting functions and having custody of City assets.
 - (10) Computer system – performing all general accounting functions and controlling all data input and output, including journal entries.

For the Riverside Volunteer Fire Department and First Responders, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Volunteer Fire Department and First Responders should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing available personnel, including elected officials.

- (B) Separately Maintained Records – The Riverside Volunteer Fire Department and First Responders maintain bank accounts for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

- (C) Bank Reconciliations – City fund balances were not reconciled to the bank balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile and adjustments were made to the reconciliations to force the accounting system to balance to the bank statements. Also, transactions listed as deposits in transit and outstanding checks were not accurate.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

Certain checks were returned to the City and were not redeemed. The City subsequently issued a new check for the total of all checks returned, but the original checks were not voided.

Recommendation – The City’s fund balances should be reconciled to the bank balances monthly. Any variances should be investigated and corrected in a timely manner. In addition, if a check needs to be reissued, the City should implement procedures to ensure the original check is properly voided.

- (D) Financial Reporting – During the examination, we identified material amounts of disbursements and transfers which were not properly recorded.

Recommendation – The City should implement procedures to ensure disbursements and transfers are properly recorded in the City’s accounting records and financial statements. Adjustments should be made to ensure any financial reports prepared by the City are materially correct.

- (E) Payroll – The resolution passed by the City Council to establish wages for fiscal year 2014 did not reflect both the current hourly rate and the proposed hourly rate for comparison. In addition, several discrepancies were identified with the Deputy City Clerk’s hourly rate, as follows:

- Although the hourly rate approved for the Deputy City Clerk increased to \$18.44 per hour effective July 1, 2013, an \$18.00 hourly rate was used for the July 17, 2013 paycheck, resulting in an underpayment of \$46.81.
- The Deputy City Clerk received a \$4.00 per hour increase to \$22.44 per hour, effective January 6, 2014. However, the January 17, 2014 paycheck was calculated using an hourly rate of \$22.50, resulting in an overpayment of \$5.54. In addition, of the \$4.00 per hour increase, \$3.00 per hour was retroactive to April 1, 2013 and \$1.00 per hour was retroactive to August 1, 2013. However, when calculating the retroactive payroll, the Deputy City Clerk included a cost of living adjustment on the pay increase which had not been approved by the City Council. This resulted in an overpayment of \$100.73. In addition, 10 hours of compensatory time was paid using the overtime hourly rate. As a result, the Deputy City Clerk received an overpayment of \$15.00.
- Per the January 20, 2014 City Council meeting minutes, the Deputy City Clerk’s hourly rate was increased to \$23.00 per hour. However, the resolution signed by the Mayor stated the hourly rate was \$24.50 per hour. No documentation could be located supporting which was the correct hourly rate. Based on a review of the payroll register, the Deputy City Clerk’s payroll was calculated at \$23.00 per hour.

Time cards could not be reconciled to the payroll register for the pay period tested for two employees. In one instance, this resulted in a Public Works employee receiving an overpayment of \$172.62. In addition, the City Administrator did not establish an appropriate work schedule as required by his contract and did not prepare time sheets or leave slips. As a result, hours worked were not documented and not all vacation and/or sick leave was accounted for.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

The City Administrator was ill on February 26, 2014 when a meeting with the auditors was scheduled. However, a review of the payroll register for that pay period showed no sick leave was recorded for the City Administrator on that day. As a result, the City Administrator's sick leave balance is overstated. We are unable to determine if this occurred on other dates.

City policy states the workday shall not consist of less than eight hours a day and any employee on an eight and one-half hour working day will take a one-half hour lunch break. The supervisor must approve employees to work through their lunch hour. The following instances of non-compliance with City policy were noted:

- Three employees worked less than eight hours on 44, 9 and 4 days, respectively. However, no vacation, sick leave and/or compensatory time was recorded.
- City personnel working in City Hall do not clock out for a one-half hour lunch each day. As a result, they are paid for this time, which is inconsistent with City policy and the practice for non-City Hall employees. The Deputy City Clerk did not record a one-half hour lunch on 154 days, a total of 77 hours, at a cost of \$1,585.32.

In addition, the hours recorded on the time cards did not always agree to the hours recorded in the payroll register and paid to three employees. Also, the City's policy regarding overtime was not properly applied for these employees. Discrepancies identified include:

- The Deputy City Clerk's time cards reflected 6 hours more overtime than was recorded in the payroll register. In addition, she was paid for 18.75 hours of bereavement leave, 18.50 regular hours and 1.25 hours of sick leave which should not have been paid. The resulting net overpayment is \$653.31.
- A public works employee was paid for 33.25 hours of overtime which should have been recorded as regular hours, resulting in an overpayment of \$409.97. However, the same employee was not paid for 8 hours of holiday time, resulting in an underpayment of \$197.28, and the fiscal year 2013 hourly rate was used for the July 17, 2013 paycheck, resulting in an underpayment of \$46.62. In addition, he was paid for 16 hours of vacation which should not have been paid, and he was not paid for 14 regular hours, 4.25 hours of sick leave and 1.5 hours of bereavement leave which should have been paid. The resulting net underpayment is \$92.48. As a result, the net overpayment to this employee is \$73.59.
- A public works employee was paid for 18.75 hours of overtime which should have been recorded as regular hours, resulting in an overpayment of \$231.18. However, the same employee was not paid for 14 regular hours, resulting in an underpayment of \$345.24. In addition, the fiscal year 2013 hourly rate was used for the July 17, 2013 paycheck, resulting in an underpayment of \$54.46. As a result, the net underpayment to this employee is \$168.52.

Full-time and part-time City employees received Christmas bonuses of \$150 and \$50, respectively, in addition to their authorized salaries during the year ended June 30, 2014. Although the bonuses were approved by the City Council, there was no documentation of the public purpose served by payment of the bonuses.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

Recommendation – The City Council should ensure all wage resolutions include the current hourly rate and the new hourly rate to ensure the approved percentage increase is applied correctly. In addition, time cards and/or time sheets should be approved and initialed by the employee’s supervisor or by an independent person not involved with payroll. An independent reviewer should ensure the hours recorded in the payroll register reconcile to the hours worked recorded on the time cards and/or time sheets and are in compliance with current City policy. The City should consult legal counsel to determine how to resolve the overpayments and underpayments identified.

The City Council should determine and document the public purpose of Christmas bonuses before authorizing any additional bonuses. If this practice is continued, the City should establish a written policy documenting the public purpose of such disbursements.

- (F) Salary Advances – Several instances of salary payments in advance of the wages being earned were noted. In accordance with an Attorney General's opinion dated July 12, 1979, the credit of the State or its political subdivisions cannot be extended except for a public purpose, or to fulfill or liquidate a moral or legal obligation incurred by the State or its political subdivisions.

The Deputy City Clerk received three payroll advances totaling \$2,000 during fiscal year 2014 and had an unpaid balance of \$800 from payroll advances received during fiscal year 2013, for a total of \$2,800. As of June 30, 2014, \$1,200 of the \$2,800 had not been repaid to the City. The City Administrator did not receive payroll advances during fiscal year 2014, but he had an unpaid balance of \$300 from payroll advances received during fiscal year 2013. As of June 30, 2014, the City Administrator had repaid the City in full.

The payroll advances issued were not tracked to ensure they were repaid in full. In addition, additional payroll advances were allowed for the Deputy City Clerk before previous advances had been paid in full. Although the payroll advances were supported by a request form, they were not approved by the City Council.

Recommendation – The City should not allow salary payments in advance of wages earned.

- (G) Paid Leave – In fiscal year 2014, the City Administrator received a vacation payout of \$2,361.04 for 88 hours and the Deputy City Clerk received a vacation payout of \$1,890.00 for 84 hours. Both payouts are not allowable under City policy.

Also, the vacation accrual for five employees was not calculated in accordance with City policy. In addition, one employee carried forward less than he had earned at his anniversary date and four employees were allowed to carry forward vacation hours in excess of the 80 hour maximum established by City policy.

- The City Administrator’s contract included 160 hours of vacation effective his second year of employment, the amount City policy grants to an employee with 11-20 years of service. During fiscal year 2014, the City Administrator accrued 177.25 hours of vacation. In accordance with his contract, he should have accrued 160 hours of vacation, or 17.25 hours less than he accrued. In addition, the City Administrator carried forward 138.35 hours of vacation at his anniversary date, or 58.35 hours more than the 80 hour maximum established by City policy. In addition, based on the vacation used by his anniversary date, he would not have been paid for 40 hours of vacation if he had accrued the proper number of vacation hours in

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

accordance with his contract. As a result, the vacation balance is 178.35 hours greater than it should have been.

- The Deputy City Clerk's employment agreement provided her the vacation accrual rate for an employee with 6-10 years of service, or 4.62 hours per pay period rather than the 3.08 hours per pay period specified in the City's policy for an employee with her years of service. The agreement was approved by the City Administrator, but was not approved by the City Council. During fiscal year 2014, the Deputy City Clerk accrued 120 hours of vacation. However, in accordance with City policy, she should have accrued 73.11 hours, a difference of 46.89 hours. In addition, the Deputy City Clerk carried forward 150.14 hours of vacation at her anniversary date. However, based on her vacation use and City policy, she should have carried forward 24 hours. As a result, the balance is 126.14 hours greater than it should have been.
- Although vacation hours were properly accrued throughout the fiscal year for a public works employee, the balance carried forward at his anniversary date was incorrect. As a result, his balance is 57.80 hours more than it should be.
- A public works employee was credited with 110.76 hours of vacation prior to his anniversary date in fiscal year 2014. However, in accordance with City policy, he should have accrued 120 hours, a difference of 9.24 hours. In addition, he carried forward 89.02 hours of vacation at his anniversary date. In accordance with City policy, he should have carried forward the maximum of 80 hours. As a result, his balance is 9.02 hours greater than it should be.
- A public works employee was credited with 72.34 hours of vacation prior to his anniversary date in fiscal year 2014. However, in accordance with City policy, he should have accrued 80 hours, a difference of 7.66 hours. In addition, he carried forward 56.53 hours of vacation at his anniversary date. In accordance with City policy, he should have carried forward 68 hours. As a result, his balance is 11.47 hours less than it should be.

The employee was compensated 28.5 hours at his regular hourly rate as workers' compensation. However, the requirements of the State's worker's compensation laws do not appear to have been met. As a result, the employee should have used vacation and/or sick leave for the 28.5 hours.

Recommendation – The City should ensure any payouts of accumulated leave balances and any vacation balances carried forward are in compliance with established City policy. In addition, an independent person should review the payroll register to ensure vacation, sick leave and compensatory time balances are accrued at the proper rate. The independent review should also compare time cards and/or leave slips to the payroll register to ensure paid leave used is properly approved and recorded.

The City should consult with the Division of Workers' Compensation within Iowa Workforce Development to determine what action, if any, is needed regarding the hours paid as workers' compensation.

- (H) Retirement Contributions – City administrators have the option to exclude themselves from IPERS, but must instead enroll directly in an alternative retirement plan. In accordance

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

with the City Administrator's contract, if he did not participate in IPERS, the City was to enroll him in the International City Management Association's retirement plan. Although the City Administrator chose not to participate in IPERS, the City's retirement contributions were issued directly to him. For fiscal year 2014, retirement contributions paid to the City Administrator totaled \$2,549.83.

Recommendation – The City should consult with legal counsel to determine the proper disposition of this matter.

- (I) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures...." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not materially agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports are supported by the City's records.

- (J) Utilities – The following were noted regarding the City's utilities:

- Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- Garbage rates used for utility billings have not been established by ordinance.
- The City has not issued refunds for water deposits in a timely manner.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Garbage rates used for utility billings should be established by City ordinance.

In addition, the City should implement procedures to ensure water deposits are monitored and refunded in accordance with City ordinance.

- (K) Disbursements – Sufficient supporting documentation was not available for two of the thirty-six disbursements tested. In addition, five of the thirty-six disbursements tested had not been recorded correctly in the City's accounting system.

Also, although the City has a written policy allowing certain items to be paid prior to City Council approval, the policy is broad and allows most expenses to be paid prior to approval.

Recommendation – All disbursements should be accompanied by original, detailed receipts and/or invoices which should be reviewed by an independent person prior to payment. In addition, the City should implement procedures to ensure disbursements are correctly coded in the City's accounting system. The City Council should review the policy allowing payment of certain bills prior to City Council approval to ensure only routine, monthly bills are included.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (L) Credit Cards – The City has credit cards for use by employees while on City business. However, supporting documentation was not available for three of the four credit card charges tested. As a result, the purpose of the disbursements could not be determined.

Recommendation – Supporting documentation for all credit card charges should be retained.

- (M) Investments – A detailed record of investment transactions was not maintained and the City's investments were not recorded in the City's accounting system. As a result, the City's investments were not included in the reconciliation of the fund balances to the bank balances.

In addition, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – A detailed record of investment transactions by fund should be maintained on a current basis. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest. In addition, the City's investments should be recorded in the City's accounting system and included in the reconciliation of the fund balances to the bank balances.

Also, the City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (N) Transfers – Transfers between funds were not balanced monthly and were not approved by the City Council prior to the transfer.

Recommendation – The City should balance transfers monthly and ensure all transfers are approved prior to the transfer. The approval and amount(s) should be documented as part of the City Council meeting minutes record.

- (O) Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

- (1) The City does not have a written policy regarding the authorization and security for setting, resetting and maintaining passwords for the City's accounting system.
- (2) The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written policy addressing the above items to improve the City's control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

- (P) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

- (Q) City Council Meeting Minutes – Certain disbursements were not approved by the City Council and other disbursements were not approved prior to disbursement in accordance with Chapter 372.13(6) of the Code of Iowa. Of the forty disbursements reviewed, three were not approved by the City Council, including a \$500 cell phone stipend for both the Deputy City Clerk and the City Administrator which were specifically denied.

Although minutes of City Council proceedings were published, they were not always published within fifteen days and did not include the total disbursements from each fund or a summary for all receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, City Council meetings were not always preceded with proper notice as required by Chapter 21.4 of the Code of Iowa.

Also, minutes did not include a complete list of disbursements. Although the list of disbursements is published, it is not retained in the official minutes at City Hall. Official minutes do not always match the published minutes. For example, minutes for two of the four meetings tested did not document the vote to enter into closed session. However, the vote was included in the published minutes.

Minutes are not organized in a manner to allow easy identification of discussions and actions taken during meetings.

Recommendation – All City disbursements should be approved by the City Council prior to disbursement, except for those allowed by City policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

The City should publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The City should also publish the total disbursements from each fund and a summary of all receipts, as required. In addition, the disbursement listing included in the minutes should be complete and reconcile to actual disbursements. Published minutes should match the official minutes maintained at City Hall and be organized in a manner to allow easy identification of discussions and actions taken during City Council meetings. In addition, meetings should be preceded with proper notice as required by Chapter 21.4 of the Code of Iowa.

- (R) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, community and economic development and general government functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works, community and economic development and general government 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 Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (S) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ralph Schnoebelen, Council Member, Owner of Schnoebelen, Inc.	Parts and labor	\$ 501

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

- (T) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Harry’s Custom Trophies	Luggage tags and strap	\$ 258
Visa	Badgerland flags	595
	Facebook advertising	97
	Cheesecake Factory	53
	Kum & Go	47
	Cracker Barrel	25
	Ameristar	14
	Casey’s	13
	Interest and finance charges	9
	Riverside Travel Mart	4
Mediacom	Late charge	30

According to the opinion, it is possible for such 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.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements.

- (U) Tax Increment Financing (TIF) – 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. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

During fiscal year 2014, the City collected \$4,179 of tax increment financing receipts and, at June 30, 2014, the City had a cash balance of \$111,674 in the Special Revenue, Urban Renewal Tax Increment Fund. However, the City had no outstanding TIF debt at year end.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

Recommendation – The City should consult TIF legal counsel to determine the propriety of the remaining fund balance at June 30, 2014.

Effective July 1, 2012, section 24.21 of the Code of Iowa was amended by House File 2460 enacted by the 2012 Legislature and requires any balance remaining in a TIF Fund created under section 403.19 of the Code of Iowa to be transferred to the County for reapportionment to the funds of the respective taxing districts.

- (V) Urban Renewal Annual Report – The Urban Renewal Annual Report was not properly approved and certified to the Department of Management on or before December 1. The report was submitted on December 9, 2013, but it was not approved by the City Council until after its submission. The City’s ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City’s general ledger.

Recommendation – The City should file the Urban Renewal Annual Report timely and ensure the cash balances reported on the Levy Authority Summary agree with the City’s records. In addition, the City Council should approve the report prior to its submission.

- (W) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (X) Financial Condition – The Capital Projects and Debt Service Funds had deficit balances of \$1,282,314 and \$5,050, respectively, at June 30, 2014.

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

- (Y) City Council Oversight – 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. Many of the findings included in this report are indications the City Council did not exercise proper fiduciary oversight.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort by all members. In the future, the City Council should exercise due care and require and review pertinent information and documentation prior to making decisions impacting the City. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

City of Riverside

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

City of Riverside

Staff

This agreed-upon procedures engagement was performed by:

Jennifer Campbell, CPA, Manager
Benjamin P. James, CPA, Staff Auditor
Melissa E. Janssen, Staff Auditor
Todd E. Pudenz, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State