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Auditor of State David A. Vaudt today released a report on a special investigation of the City of Conway. The report covers the period October 24, 2002 through March 8, 2011. The special investigation was requested by City officials as a result of alleged misappropriations of City funds by the former City Clerk.

Vaudt reported the special investigation identified \$32,575.47 of improper and unsupported disbursements. The improper disbursements of \$32,084.49 include \$19,902.50 of payroll and reimbursements issued to Nicole Paul, the former City Clerk. The improper disbursements also include \$4,030.50 of checks Ms. Paul issued from the City's checking account for cash and money orders, \$7,478.74 of checks issued for other improper disbursements and \$672.75 of late fees. The unsupported disbursements of \$490.98 were payments issued to various vendors.

Vaudt reported it was not possible to determine if additional amounts were improperly disbursed or if any collections were not properly deposited because adequate records for disbursements and receipts were not available.

The report includes recommendations to strengthen the City's internal controls and overall operations, such as improving segregation of duties, performing bank reconciliations, requiring adequate documentation to support disbursements and performing an independent review of bank statements. In addition, Vaudt recommended all disbursements be approved by the City Council and the City adopt a policy for purchases which may not meet the test of public purpose, such as flowers and bakery items.

Copies of the report have been filed with the Taylor County Attorney's Office, the Attorney General's Office, the Taylor County Sheriff's Office and the Division of Criminal Investigation. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/1022-0841-BE00.pdf>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF CONWAY
FOR THE PERIOD
OCTOBER 24, 2002 THROUGH MARCH 8, 2011**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5-6
Detailed Findings	6-12
Recommended Control Procedures	13-15
Exhibits:	
	<u>Exhibit</u>
Summary of Findings	A 17
Wage and Reimbursement Payments to Nicole Paul	B 18-23
Other Disbursements	C 24-27
Late Fees and Interest Penalties on IPERS Payments	D 28
Staff	29
Appendix:	
	<u>Appendix</u>
Copy of Nicole Paul's written confession	1 32-33



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Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at your request, we conducted a special investigation of the City of Conway. We have applied certain tests and procedures to selected financial transactions of the City for the period October 24, 2002 through March 8, 2011. Based on a review of relevant information and discussions with City officials and staff, we performed the following procedures:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed activity in the bank account held by the City to identify any unusual activity.
- (3) Scanned all images of checks from the City's bank account for reasonableness. We examined certain disbursements to determine if they were appropriate, properly approved and supported by adequate documentation.
- (4) Reviewed all payroll checks to Nicole Paul, the former City Clerk, to determine if the appropriate number of payroll disbursements were made and if the amounts were appropriate.
- (5) Examined all reimbursements made to the former City Clerk to determine if payments were properly approved and supported.
- (6) Examined deposits to the City's bank account to determine the source, purpose and propriety of each deposit and to determine deposits were made intact.
- (7) Confirmed payments to the City by the State of Iowa and Taylor County to determine whether they were properly deposited to the City's bank accounts and deposited in a timely manner.
- (8) Examined available receipts to determine if recorded collections were properly accounted for and deposited.
- (9) Examined available documentation for petty cash disbursements to determine if they were for appropriate purposes and were properly supported and approved.
- (10) Obtained and reviewed personal bank statements for accounts held by the former City Clerk to identify the source of deposits. We also reviewed checks issued from the accounts held by the former City Clerk to determine if any repayments were made to the City.
- (11) Reviewed available minutes to identify significant actions taken by the City Council and to determine if certain payments were properly approved.
- (12) Reviewed the monthly Clerk's reports to determine if financial information was accurately reported to the City Council.
- (13) Reviewed the City's Annual Financial Reports to determine if the cash balance was accurately reported.

These procedures identified \$32,575.47 of improper and unsupported disbursements. We were unable to determine if additional amounts were improperly disbursed or if any collections were not properly deposited because adequate records for disbursements and receipts were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **D** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Conway, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Taylor County Attorney's Office, the Attorney General's Office, the Taylor County Sheriff's Office and the Division of Criminal Investigation.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the City of Conway during the course of our investigation.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 10, 2011

City of Conway
Investigative Summary

Background Information

The City of Conway is located in Taylor County and has a population of approximately 40. Nicole Paul became the Conway City Clerk on October 24, 2002. As the City Clerk, Ms. Paul was responsible for:

- 1) Receipts – collecting, posting to the accounting records and preparing and making bank deposits,
- 2) Disbursements – making purchases, receiving certain goods and services, presenting proposed disbursements to the City Council, maintaining supporting documentation, preparing, signing and distributing checks and posting to the accounting records,
- 3) Payroll – calculating payroll amounts, preparing, signing and distributing checks and posting to the accounting records,
- 4) Bank accounts – reconciling monthly bank statements to accounting records and
- 5) Reporting – preparing City Council minutes and financial reports.

The City's primary revenue sources include local option sales tax and road use tax from the State of Iowa and property tax collected by Taylor County. In addition, the City collects a monthly fee for garbage services from residents. Collections are to be deposited to the City's checking account. According to a City official, monthly garbage services are provided to residents requesting the service. For residents requesting garbage services, there is a monthly fee and those fees are to be paid to the City. The City Clerk issues a check to the garbage vendor.

All City disbursements are to be made by checks signed by the City Clerk. All disbursements are to be approved by the City Council at City Council meetings. Monthly bank statements for the City's bank account are mailed directly to the City Clerk for her review. Bank statements and check images are not periodically reviewed by members of the City Council. According to the Mayor, Ms. Paul only provided the City Council a spreadsheet showing bank activity, but she never provided bank statements.

On March 1, 2011, the Mayor received a telephone call from the bank where the City's checking account is held. According to the Mayor, the bank informed the Mayor the City did not have sufficient funds in its checking account to clear a check written in the previous month. However, according to the Mayor, the City Council was told by Ms. Paul at a previous City Council meeting there was approximately \$29,000.00 in the City's checking account. The actual balance in the City's checking account as of March 1, 2011 was \$154.53.

On March 8, 2011, the Mayor and the City Council contacted the Taylor County Sheriff's Office (Sheriff's Office) to report Ms. Paul had depleted all the City's funds without approval. The Sheriff's Office conducted a search of Ms. Paul's personal residence. Bank records for the City of Conway, Ms. Paul's personal records, such as bank statements, and a laptop computer were removed from her residence with her permission.

On that day, Ms. Paul was interviewed by a Deputy Sheriff. Ms. Paul provided the Deputy a written confession stating "she took approximately \$21,000.00 from the City of Conway since she has been City Clerk." Ms. Paul also stated "she would write checks to herself from the City

of Conway for reimbursement but had never purchased anything to be reimbursed for.” As a result, the City Council terminated Ms. Paul from employment at the March 8, 2011 City Council meeting. A copy of the written confession is included in **Appendix 1**.

The Mayor requested the Office of Auditor of State perform an investigation of the City’s financial transactions. As a result, we performed the procedures detailed in the Auditor of State’s Report for the period October 24, 2002 through March 8, 2011.

Detailed Findings

These procedures identified \$32,575.47 of improper disbursements and unsupported disbursements. We were unable to determine whether additional amounts were improperly disbursed or if any collections were not properly deposited because adequate records for disbursements and receipts were not available.

The \$32,084.49 of improper disbursements include:

- \$19,902.50 of improper payroll and reimbursements issued to Ms. Paul,
- \$4,030.50 of checks for cash and money orders,
- \$7,478.74 of improper disbursements to various vendors,
- \$672.75 of late fees and interest penalties for IPERS payments.

The \$490.98 of unsupported disbursements include payments to vendors. All findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

IMPROPER DISBURSEMENTS

According to the Mayor, payment of City obligations should have been made with a check and City business should not have been conducted in cash. We reviewed bank statement activity from the City’s checking account for the period October 24, 2002 through March 8, 2011 and identified a number of unusual disbursements.

Supporting documentation was not available for all disbursements from the City’s bank account. As a result, we discussed the disbursements which were unusual in nature with City officials to determine if they were appropriate. When possible, we also obtained support directly from the vendors to whom payments were made. The improper disbursements are explained in more detail in the following sections of this report.

Wage and Reimbursement Payments to Nicole Paul – As previously stated, Ms. Paul became the City Clerk on October 24, 2002. According to the Mayor and City Council minutes, Ms. Paul was to be compensated \$100.00 per quarter. According to a City official, it would be reasonable for Ms. Paul to receive reimbursements. However, the reimbursements should be approved by the City Council. Also as previously stated, Ms. Paul provided a written confession stating “she would write checks to herself from the City of Conway for reimbursement but had never purchased anything to be reimbursed for.”

We identified 92 checks issued to Ms. Paul during the period October 24, 2002 through March 8, 2011. The 92 checks total \$23,436.55 and are listed in **Exhibit B**. The memos recorded on the checks by Ms. Paul indicate they were wages and reimbursement payments. **Table 1** summarizes the 92 checks.

Table 1

Description	Number of Checks	Reasonable	Improper	Total
a) Wages	32	\$ 3,400.00	2,291.64	5,691.64
b) Reimbursements	2	134.05	-	134.05
c) Unauthorized payments:				
Improper reimbursements	40	-	13,514.31	13,514.31
Improper wages	13	-	2,400.00	2,400.00
Improper wages and reimbursements	4	-	1,546.55	1,546.55
No explanation	1	-	150.00	150.00
Total	92	\$3,534.05	19,902.50	23,436.55

- a) As illustrated by the **Table**, 32 of the 92 checks include Ms. Paul's authorized quarterly payroll amount. The 32 checks are identified in **Exhibit B**. However, as illustrated by the **Exhibit**, only 19 of the 32 checks include only payroll. The remaining 13 checks include improper payments to Ms. Paul. The authorized wage amounts to Ms. Paul total \$3,400.00. As illustrated by the **Table**, the improper portion of the 13 checks total \$2,291.64.
- b) As illustrated by **Table 1** and **Exhibit B**, 2 reimbursements were checks to Ms. Paul which we classified as reasonable because we were able to trace the payments to minutes of City Council meetings. As illustrated by the **Exhibit**, \$85.26 was paid to Ms. Paul for paint supplies and paint on September 20, 2005. The City Council also authorized reimbursement of \$48.79 for stop sign poles. This reimbursement was made to Ms. Paul on August 27, 2010.
- c) For the remaining 58 checks to Ms. Paul totaling \$17,610.86, we were unable to locate supporting documentation for reimbursement checks or City Council approval for the extra wage checks. These 58 checks are discussed in the paragraphs below.
- As illustrated in **Table 1** and **Exhibit B**, we identified 40 checks issued to Ms. Paul for improper reimbursements totaling \$13,514.31. For example, 3 of the 40 reimbursement checks were for parts for the furnace, jeep parts and jeep tires and brakes. However, we identified the following for these 3 checks.
 - Parts for the furnace at City Hall - During our review of supporting documentation, we located 2 checks to Scott's Plumbing/Electrical totaling \$672.52 for parts and the repair of the furnace during the period Ms. Paul was reimbursed for parts.
 - Jeep parts - According to the Public Works employee, he purchased parts to repair the jeep and completed the repair himself. We identified 2 checks totaling \$191.73 issued on December 29, 2009 and January 4, 2010 to the Public Works employee.
 - Jeep tires and brakes - Ms. Paul was reimbursed for the purchase of jeep tires and brakes totaling \$679.28 on January 14, 2010. However, according to the Public Works employee, the jeep has not had new tires since he started working for the City in 2006. In addition, according to the Public Works employee, there was work performed on the front brakes of the jeep, but this occurred prior to 2010.
 - As discussed previously and illustrated by **Table 1** and **Exhibit B**, Ms. Paul received an additional 13 checks identified as wages above her authorized wages. The checks total \$2,400.00 and range from \$100.00 to \$400.00.

- As illustrated by **Table 1**, we identified 4 checks issued to Ms. Paul for improper wages and reimbursements. As shown in **Exhibit B**, the description in the check memo line stated wages and reimbursements, wages and reimbursements for lawn mower parts or wages and supplies. As previously stated, we were unable to locate City Council approval for the wages and supporting documentation for the reimbursements. According to the Public Works employee, he has purchased the parts for the lawn mower and completed the work himself since 2006.
- As shown by **Table 1**, we identified a check which did not include a description in the check memo line. As illustrated by **Exhibit B**, this check was issued to Ms. Paul on January 12, 2007 in the amount of \$150.00. Because supporting documentation could not be located and there was no City Council approval, the check has been identified as improper.

As a result, the \$19,902.50 of improper wages and reimbursements has been included in **Exhibit A**.

Cash and Money Orders – During our review of other disbursements from the City’s checking account, we identified 9 cash withdrawals not using a check issued on the City’s checking account by Ms. Paul. The 9 withdrawals are listed in **Table 2**. The **Table** also includes the date and the amount of the withdrawals and memos.

Date	Memo	Amount
10/25/04	BMO & fee	\$ 1,326.62
03/22/05	Cash	150.00
04/01/05	MO & fee	386.54
04/04/05	Cash	40.00
04/16/05	Personal Money Order	475.97
05/23/05	Money order & fee	347.40
06/01/05	Money order & fee	575.34
07/02/05	BMO	577.54
01/13/11	BMO & fee	151.09
Total		<u>\$ 4,030.50</u>

According to a City official, Ms. Paul did not have City Council approval to make cash withdrawals from the account and approvals for the withdrawals were not included in the City Council minutes. As illustrated by the **Table**, the withdrawals were used to either receive cash or purchase a money order and pay the corresponding fees. According to a City official, Ms. Paul was to pay all City disbursements with a City issued check. In addition, we were unable to locate supporting documentation for how the cash or money orders were used. As a result, the \$4,030.50 of cash withdrawals are included in **Exhibit A** as improper disbursements.

Other Disbursements – During our review of other disbursements from the City’s checking account, we identified 50 checks totaling \$8,507.11 issued by Ms. Paul which appear unusual for City operations based on the vendor, amount of the check and/or the frequency of payment(s). The 50 individual checks are listed in **Exhibit C**. Because receipts and/or invoices were not available for all of the purchases, we reviewed City Council minutes to determine if the checks were approved and we discussed the transactions with a City official to determine if they appeared appropriate for the City’s operations. Specifically, we discussed the vendor, date and the amount of individual transactions. We were unable to locate City Council approval for the 50 checks in the Council minutes.

Of the 50 checks, we identified \$7,478.74 of improper disbursements based on available receipts or invoices and discussions with a City official and the Public Works employee.

The \$7,478.74 of improper disbursements were issued to 9 vendors, including Southwestern Community College (SWCC), Adult and Continuing Education of SWCC, SWCC Automotive, Wal-Mart, Phillips 66, ALCO, Hy-Vee, Bedford Flower Shop and Breadeaux Pizza.

In addition, we reviewed the balance sheet and disbursement ledger to determine if Ms. Paul accurately recorded the checks in the City's records. During our review of the balance sheet and disbursement ledger, we determined Ms. Paul did not accurately record the checks issued to SWCC, SWCC Automotive and Adult and Continuing Education. We contacted SWCC to obtain copies of invoices and/or receipts. However, because the checks were issued between April 18, 2003 and September 7, 2004, supporting documentation was no longer available from SWCC. SWCC confirmed Ms. Paul was enrolled as a student in 2003 – 2004. **Table 3** summarizes the check details and disbursement ledger for all checks issued to SWCC, SWCC Automotive and Adult and Continuing Education.

Table 3

Per Check Image				Per Disbursement Ledger			
Check Date	Check Number	Payee	Amount	Check Date	Check Number	Payee	Amount
04/18/03	2192	SWCC	\$ 400.00	04/18/03	2192	Schildbergs Const. Co	\$ 400.00
05/05/03	2193	SWCC	285.00	05/11/03	2193	Alliant Energy	12.12
05/20/03	2199	SWCC	370.00	05/20/03	2199	Schildbergs Const. Co	370.00
06/18/03	2212	SWCC	395.00	06/18/03	2212	Schildbergs Const. Co	395.00
06/23/03	2213	SWCC	110.00	06/18/03	2213	Nicole Paul	110.00
07/07/03	2215	SWCC	250.00	07/07/03	2215	Schildbergs Const. Co	250.00
07/16/03	2219	SWCC	300.00	07/10/03	2219	VOID	-
12/08/03	2292	SWCC	208.00	12/01/03	2292	Farrelgas	208.00
01/29/04	2221	Adult & Continuing Education	799.00	01/31/04	2221	Dennis Perdeu	799.00
05/03/04	2239	SWCC	595.00	05/06/04	2239	Schildbergs Const. Co	595.00
05/17/04	2241	SWCC Automotive	214.00	05/17/04	2241	SWCC Automotive	214.00
05/18/04	2244	Adult & Continuing Education	400.00	05/18/04	2244	Adult & Continuing Education	400.00
06/24/04	2255	SWCC Automotive	420.00	07/01/04	2255	VOID	-
06/28/04	2256	SWCC	369.00	07/02/04	2256	Jeff Longfellow	100.00
07/12/04	2305	Adult & Continuing Education	360.00	07/20/04	2305	Schildbergs Const. Co	360.00
07/29/04	2306	Adult Ed	630.00	08/02/04	2306	Jerico Services, Inc	630.00
08/25/04	2314	SWCC	470.00	08/26/04	2314	Schildbergs Const. Co	470.00
09/07/04	2319	SWCC	565.00	09/07/04	2319	SWCC Automotive	565.00
Total			<u>\$7,140.00</u>				<u>\$ 5,878.12</u>

As illustrated by the **Table**, Ms. Paul issued 18 checks totaling \$7,140.00 to SWCC and SWCC affiliates between April 18, 2003 and September 7, 2004. For 16 of the 18 checks issued, Ms. Paul recorded a different vendor in the City's disbursement ledger. For 2 of the 18 checks, the payee according to the check image agrees with the disbursement ledger. However, according to a City official and the Public works employee, neither vendor has been used by the City. As a result, all 18 checks are considered improper.

We reviewed the City Council minutes and were unable to locate City Council approval for payment to these vendors. Also, as illustrated in the **Exhibit**, for 11 of the 18 payments issued to SWCC, SWCC Automotive and Adult and Continuing Education, a description was written on the memo line of the check, including:

- fire school,
- waste water management,
- classes and
- jeep repair.

According to a City official, the City does not have a wastewater system and does not have a fire department. During our review of the City Council minutes, we identified several discussions of fixing the jeep which is used to plow snow, but City Council did not approve the jeep to be fixed until the meeting on October 6, 2004. At this meeting, the City Council approved John Eighmy to fix the jeep. However, we were unable to locate a check issued to Mr. Eighmy for the repair.

The remaining \$338.74 of improper disbursements included a printer, battery, groceries, phone cards and pizza. In addition, on September 6, 2005, a check was issued to ALCO in the amount of \$17.12. According to the check memo, it was for envelopes and stamps. During our review of supporting documentation, we determined envelopes and stamps were purchased, but the receipt showed \$15.00 in cash back received.

The improper disbursements totaling \$7,478.74 are included in **Exhibit A**.

In addition to the improper disbursements, we identified 13 checks totaling \$490.98 issued by Ms. Paul for which we were unable to locate a receipt or invoice. We discussed the disbursements with a City official who was unable to determine the purpose of the disbursement. We attempted to obtain receipts or invoice directly from the vendors. However, some of the vendors were unable to provide receipts for the period in which the purchase was made and/or did not track information by payee or amount. As a result, we were unable to obtain supporting documentation for some of the disbursements. The 13 payments have been included in **Exhibit C**. **Table 4** summarizes the payments by vendor.

Table 4

Vendor	Number of Transactions	Amount
Beemer Oil	3	\$ 163.80
Orscheln	3	162.11
Bedford Country Store	2	27.15
Hy-Vee	1	29.26
Petal Pusher	1	34.10
Phillips 66	1	26.62
Slims 66	1	26.02
Wal-Mart	1	21.92
Total	13	\$ 490.98

As illustrated by **Exhibit C**, 10 of the 13 checks included information in the memo line, such as gas for mower, painting supplies and mowing blades. However, because we were unable to locate receipts and/or invoices and a City official and the Public Works employee were not able to remember items purchased, the \$490.98 is included in **Exhibit A** as unsupported disbursements.

We determined the City was charged sales tax on several purchases. Because the City is a governmental entity, the City is exempt from paying sales tax. However, because the amount is insignificant, it is not included in **Exhibit A**.

Late Fees and Interest Penalties for IPERS Payments – During our review of the City’s checking account, we identified payments to IPERS varied from \$9.45 to \$143.65. As a result, we reviewed all checks issued to IPERS to determine if late fees and interest penalties were incurred. We obtained Employer Annual Statements for the period 2003 through 2011 from IPERS and compared the check amounts to the Employer Annual Statements. As a result, we identified 40 transactions in which the City incurred late fees and interest penalties because Ms. Paul did not remit payments in a timely manner. The 40 transactions totaling \$672.75 are included in **Exhibit D. Table 5** summarizes the number and the amount of the fees and penalties incurred by the City.

Description	Number of Transactions	Amount
Late fees	11	\$ 222.75
Interest penalties	29	450.00
Total		<u>\$ 672.75</u>

The \$672.75 of late fees and interest penalties are included in **Exhibit A** as improper disbursements.

UNDEPOSITED COLLECTIONS

As previously stated, the City’s primary revenue sources included taxes from the State of Iowa and Taylor County. In addition, the City receives revenue for providing garbage services to residents. We reviewed documentation related to these revenue sources to determine if collections were properly deposited.

Taxes from the State of Iowa – As previously stated, the majority of revenues received from the State of Iowa are road use tax and local option sales tax. We confirmed all payments to the City by the State of Iowa to determine if they were properly deposited to the City’s bank account. We determined all payments from the State of Iowa were properly deposited to the City’s checking account. However, they were not properly recorded in the City’s accounting system.

Taxes from the County – We confirmed all payments to the City by Taylor County were properly deposited to the City’s checking account. However, they were not properly recorded in the City’s accounting system.

Garbage Service – As previously stated, garbage service is provided to residents requesting the service. However, as a result of the concerns regarding Ms. Paul, the City eliminated garbage service to residents in March 2011.

According to a City official, garbage was collected on a weekly basis for the residents requesting the service. For the residents receiving garbage service, there was a monthly fee and those charges were to be paid to the City. For residents not receiving garbage service, the City allowed residents to burn their garbage.

According to a City official, the vendor billed the City for the number of residents receiving garbage service each month. After the bill was received, the City Clerk was to issue a check to the vendor and bill the residents receiving the service. However, we were unable to locate supporting documentation, such as billings, vendor invoices or receipts. In addition, according to a City official, Ms. Paul did not bring any invoices to the City Council meetings for City Council approval. As a result, we reviewed the payments to the vendor providing garbage service and compared them to the collections deposited for the period October 24, 2002 through March 8, 2011. We

identified the City disbursed \$13,230.13 to the garbage vendor and had \$10,113.73 in collections for garbage service.

We were unable to determine why there was a variance of \$3,116.40 between the amount collected and the amount disbursed. According to a City official, individuals completing work for the City may elect to not receive compensation in the form of a check, but rather may apply the compensation to their garbage bill. However, we were unable to locate documentation to identify individuals applying their compensation to their garbage bills. In addition, we were unable to determine if all collections were properly deposited due to the lack of available records.

ADMINISTRATIVE RESPONSIBILITIES

During our investigation, we determined Ms. Paul did not properly carry out a number of her responsibilities. Specifically, we identified the following:

- There was no evidence monthly financial reports were provided to the City Council detailing receipts, disbursements, fund and account balances with comparisons to budget.
- There was no evidence pre-numbered receipts were prepared for all collections.
- Ms. Paul did not properly record a number of receipts and disbursements in the City's accounting system. Either transactions were not recorded at all or the amount recorded was incorrect.

In addition, we determined Ms. Paul included incorrect vendors in the City's disbursement ledger.

- Disbursements which should have been approved in City Council minutes were not. It was Ms. Paul's responsibility to ensure all disbursements were presented to the City Council for approval.
- There was no evidence monthly garbage service was properly tracked to ensure residents paid amounts due.
- There was no evidence of a bill listing provided to and approved by the City Council.
- There was no evidence of a bank reconciliation.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Conway to perform bank reconciliations and process receipts, disbursements and payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the City of Conway's internal controls.

- A. Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former City Clerk had control over each of the following areas for the City.
- (1) Payroll - preparing and distributing.
 - (2) Disbursements - preparing checks, distributing and posting.
 - (3) Receipts - collecting, depositing, journalizing and posting.
 - (4) Financial records - reconciling bank balances to the City's records and comparing redeemed checks to recorded disbursements.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the functions listed above should be segregated. In addition, City Council Members should review financial records, perform reconciliations and examine supporting documentation for accounting records on a periodic basis.

- B. Bank Reconciliations - During our investigation, we determined reconciliations of the City's accounting records to the bank balances had not been performed. In addition, the bank statements were sent directly to the former City Clerk and were not reviewed by the City Council.

Recommendation - To improve financial accountability and control, a monthly reconciliation of the City's accounting records to the bank balance should be prepared and retained. Any variances should be investigated and resolved in a timely manner. The City Council should ensure an independent party reviews the bank reconciliations in a timely manner. The bank statements should be mailed to an independent person for review and should subsequently be reviewed by the City Council.

- C. Disbursements - During our review of the City's disbursements, the following conditions were identified:

- (1) Several disbursements were not supported by invoices or other documentation.
- (2) Several disbursements were not properly recorded in the City's disbursement ledger.
- (3) The City does not require 2 signatures for a check to be issued.
- (4) Some disbursements may not have been for City operations.
- (5) The City incurred late fees and penalties for IPERS payments because payments were not made in a timely manner.

Recommendation - All City disbursements should be approved by the City Council prior to disbursement, with the exception of those specifically allowed by a City Council approved 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. All payments should be remitted in a timely manner to ensure late fees and penalties are not incurred.

To strengthen internal control, each check should be prepared and signed by one person and the supporting vouchers and invoices should be provided, along with the check, to a second independent person for review and countersignature.

- D. Monthly Financial Reports - There was no evidence monthly financial reports detailing receipts, disbursements, fund and account balances with comparisons to budget were provided to the City Council. In addition, the former City Clerk did not properly record a number of receipts and disbursements in the City's accounting system. Either transactions were not recorded at all or the amount recorded was incorrect.

Recommendation - Monthly financial reports should be prepared and submitted to the City Council for its review and approval. All reports should be maintained on file. Comparisons to budget should be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget. In addition, all receipts and disbursements should be properly and accurately recorded in the City's accounting system.

E. Garbage Service – We identified the following:

- The City did not properly track collections for garbage service.
- Billings were not completed or properly maintained.
- Reconciliations between billings, collections and delinquent accounts were not performed for garbage services.
- The City allowed individuals receiving compensation from the City to apply the compensation to their garbage bills. For example, a City Council member who receives \$25.00 per quarter could decline the check and request it be applied to their garbage bill of \$50.00.

Recommendation – If the City resumes providing garbage service in the future, the City Council should ensure all garbage service is reconciled between billings, collections and delinquent accounts. In addition, procedures should be implemented to ensure a tracking mechanism is in place to track the number of customers receiving service each month and the monthly rate charged. Also, the City should not allow individuals to apply payroll compensation to their garbage bills.

F. Prenumbered Receipts – There is no evidence prenumbered receipts were issued for any collections.

Recommendation – Prenumbered receipts should be issued for all collections at the time of collection to provide additional control over the proper collection and recording of all receipts.

G. City Council Minutes – We identified the following:

- Not all disbursements were presented to the City Council for its approval.
- We were unable to locate bill listings.

Recommendation – Procedures should be implemented which ensure all disbursements are properly presented to and approved by the City Council prior to payment and the disbursements are included in the City Council minutes. Bill listings should be presented to and approved by the City Council and should be retained at City Hall with the minutes.

**Report on the Special Investigation of the
City of Conway**

Exhibits

Report on Special Investigation of the
City of Conway

Summary of Findings
For the period October 24, 2002 through March 8, 2011

Description	Exhibit/ Table	Amount
Improper disbursements:		
Wage and reimbursement payments to Nicole Paul	Exhibit B	\$ 19,902.50
Cash and money orders	Table 2	4,030.50
Other disbursements	Exhibit C	7,478.74
Late fees and interest penalties for IPERS payments	Exhibit D	<u>672.75</u>
Total improper disbursements		\$ 32,084.49
Unsupported disbursements:		
Other disbursements	Exhibit C	<u>490.98</u>
Total improper and unsupported disbursements		<u><u>\$ 32,575.47</u></u>

Report on Special Investigation of the
City of Conway

Wage and Reimbursement Payments to Nicole Paul
For the period October 24, 2002 through March 8, 2011

Per Check Image						Quarter Paid
Check Date	Cleared Date	Check Number	Amount	Check Memo		per AOS Calculation
12/02/02	12/03/02	2160	\$ 100.00	wages		October - December 2002
12/30/02	12/30/02	2167	200.00	none		January - March 2003
03/03/03	03/07/03	2183	60.00	reimbursement		NA
07/24/03	07/28/03	2220	100.00	wages		April - June 2003
10/09/03	10/10/03	2280	300.00	wages		July - September 2003
12/01/03	12/02/03	2291	100.00	wages		October - December 2003
05/20/04	05/20/04	2243	100.00	wages		January - March 2004
06/14/04	06/16/04	2249	400.00	wages		April - June 2004
09/07/04	09/07/04	2317	200.00	wages		July - September 2004
10/21/04	10/22/04	2330	248.00	reimbursement		NA
10/25/04	10/26/04	2331	220.00	gift certificates		NA
12/01/04	12/01/04	2236	100.00	wages		October - December 2004
12/01/04	12/03/04	2341	375.00	reimbursment for software		NA
12/10/04	12/15/04	2344	200.00	wages		NA
01/05/05	01/06/05	2346	456.29	parts for furnace at City Hall		NA
01/15/05	01/18/05	2350	400.00	wages		NA
02/14/05	02/14/05	2353	250.00	to pay jeep mechanic		NA
02/21/05	02/22/05	2356	300.00	wages		NA
03/02/05	03/08/05	2361	150.00	wage-March		January - March 2005
04/29/05	05/02/05	2368	425.00	computer		NA
06/06/05	06/13/05	2384	150.00	wages-2nd quarter		April - June 2005
08/06/05	08/12/05	2396	100.00	3rd quarter wages		NA
08/22/05	08/29/05	2399	196.87	reimbursement for materials		NA
09/08/05	09/14/05	2403	100.00	wages		NA
09/20/05	09/27/05	2410	85.26	paint supplies & paint		NA
10/03/05	10/19/05	2416	100.00	wages		July - September 2005
11/07/05	11/09/05	2424	100.00	wages		NA
11/12/05	11/17/05	2426	150.00	wages		NA
11/28/05	12/01/05	2431	100.00	wages		October - December 2005
03/02/06	03/13/06	2439	100.00	wages		January - March 2006
06/05/06	06/14/06	2464	100.00	wages		April - June 2006

	Reasonable	Improper	Total
\$	100.00	-	100.00
	100.00	100.00	200.00
	-	60.00	60.00
	100.00	-	100.00
	100.00	200.00	300.00
	100.00	-	100.00
	100.00	-	100.00
	100.00	300.00	400.00
	100.00	100.00	200.00
	-	248.00	248.00
	-	220.00	220.00
	100.00	-	100.00
	-	375.00	375.00
	-	200.00	200.00
	-	456.29	456.29
	-	400.00	400.00
	-	250.00	250.00
	-	300.00	300.00
	100.00	50.00	150.00
	-	425.00	425.00
	100.00	50.00	150.00
	-	100.00	100.00
	-	196.87	196.87
	-	100.00	100.00
	85.26 ^	-	85.26
	100.00	-	100.00
	-	100.00	100.00
	-	150.00	150.00
	100.00	-	100.00
	100.00	-	100.00
	100.00	-	100.00

Report on Special Investigation of the
City of Conway

Wage and Reimbursement Payments to Nicole Paul
For the period October 24, 2002 through March 8, 2011

Per Check Image					Quarter Paid per AOS Calculation
Check Date	Cleared Date	Check Number	Amount	Check Memo	
06/13/06	06/20/06	2467	300.00	reimbursement	NA
06/15/06	06/19/06	2468	34.27	phone reimbursement	NA
06/26/06	06/27/06	2469	99.28	30 gal gas & coffee maker	NA
08/07/06	08/10/06	2474	153.97	reimbursment	NA
09/08/06	09/11/06	2485	150.00	wages & reimbursement	July - September 2006
12/05/06	12/11/06	2504	253.79	wages & reimbursement for supplies	October - December 2006
01/12/07	01/17/07	2510	150.00	none	NA
06/03/07	06/12/07	2535	335.00	wages 2007	January - September 2007
12/03/07	12/26/07	2571	100.00	wages	October - December 2007
01/14/08	01/22/08	2577	289.46	reimbursement for jeep parts	NA
03/21/08	03/21/08	2592	100.00	wages	January - March 2008
04/13/08	04/16/08	2598	256.84	reimbursement for supplies	NA
04/20/08	04/23/08	2599	600.00	payment for trailer	NA
06/02/08	06/04/08	2605	100.00	wages	April - June 2008
06/15/08	06/18/08	2612	337.85	mowing & supplies	NA
08/20/08	08/22/08	2627	100.00	wages - 3rd quarter	July - September 2008
09/03/08	09/05/08	2630	489.65	reimbursement for software	NA
09/15/08	09/18/08	2636	300.00	wages - July & Aug mowing	NA
11/14/08	11/17/08	2642	100.00	wages	October - December 2008
02/14/09	02/17/09	2660	124.28	battery & print cartridge	NA
03/09/09	03/25/09	2669	200.00	wages	January - March 2009
06/01/09	06/02/09	2677	300.00	wages	April - June 2009
06/09/09	06/15/09	2680	437.85	supplies for City Hall	NA
06/20/09	06/24/09	2684	180.00	mowing	NA
07/01/09	07/06/09	2685	685.26	reimbursement/ 1/2 new comp	NA
07/14/09	07/17/09	2689	542.95	reimbursement for scanner, fax, printer & software	NA
07/31/09	08/03/09	2690	366.45	reimbursement for seminar expenses	NA
08/26/09	09/01/09	2694	752.85	wages & reimbursment for City Hall supplies	July - September 2009
10/22/09	10/26/09	2706	356.49	wages & reimbursement	NA
11/03/09	11/09/09	2707	452.95	reimb for 2009 CC purchases approved by Council 11/3/9	NA
11/20/09	11/20/09	2715	200.00	wages	NA
12/07/09	12/14/09	2721	100.00	wages	October - December 2009

Reasonable	Improper	Total
-	300.00	300.00
-	34.27	34.27
-	99.28	99.28
-	153.97	153.97
100.00	50.00	150.00
100.00	153.79	253.79
-	150.00	150.00
300.00	35.00	335.00
100.00	-	100.00
-	289.46	289.46
100.00	-	100.00
-	256.84	256.84
-	600.00	600.00
100.00	-	100.00
-	337.85	337.85
100.00	-	100.00
-	489.65	489.65
-	300.00	300.00
100.00	-	100.00
-	124.28	124.28
100.00	100.00	200.00
100.00	200.00	300.00
-	437.85	437.85
-	180.00	180.00
-	685.26	685.26
-	542.95	542.95
-	366.45	366.45
100.00	652.85	752.85
-	356.49	356.49
-	452.95	452.95
-	200.00	200.00
100.00	-	100.00

Report on Special Investigation of the
City of Conway

Wage and Reimbursement Payments to Nicole Paul
For the period October 24, 2002 through March 8, 2011

Per Check Image						Quarter Paid
Check Date	Cleared Date	Check Number	Amount	Check Memo	per AOS Calculation	
01/14/10	01/19/10	2729	679.28	reimbursement jeep tires & brakes	NA	
02/01/10	02/02/10	2732	100.00	wages	NA	
03/02/10	03/25/10	2743	100.00	wages	January - March 2010	
03/21/10	03/30/10	2744	286.62	printer & office supplies	NA	
04/22/10	04/26/10	2746	456.65	wages & reimbursement for lawn mower parts	NA	
05/07/10	05/21/10	2749	56.75	mowing and gas	NA	
05/21/10	05/24/10	2781	100.00	wages	NA	
05/25/10	05/28/10	2755	26.79	reimbursement for flowers	NA	
06/01/10	06/02/10	2756	278.49	mowing, gas, lawn mower parts	NA	
06/08/10	06/09/10	2760	200.00	wages 3rd & 4th	April - June 2010	
07/19/10	07/22/10	2768	480.00	6 months internet	NA	
07/31/10	08/03/10	2769	546.97	reimbursement for supplies	NA	
08/23/10	08/24/10	2771	200.00	wages	NA	
08/27/10	08/30/10	2774	48.79	reimbursement - stop sign poles	NA	
09/08/10	09/09/10	2775	65.74	reimbursement for office supplies	NA	
09/13/10	09/17/10	2780	100.00	wages	July - September 2010	
10/26/10	10/29/10	2786	268.56	wages & supplies reimb	NA	
11/01/10	11/05/10	2788	540.00	6 months internet	NA	
11/04/10	11/04/10	2789	132.76	software	NA	
11/06/10	11/09/10	2790	100.00	wages	October - December 2010	
11/10/10	11/12/10	2791	464.85	wages & supplies	NA	
12/27/10	12/29/10	2795	548.76	reimbursement/2010 CC	NA	
12/30/10	01/03/11	2796	78.56	2010 phone reimbursement	NA	
01/12/11	01/18/11	2799	715.89	reimbursement for jeep parts	NA	
01/25/11	01/31/11	2802	735.63	computer & software	NA	
02/07/11	02/08/11	2807	300.00	wages	January - March 2011	
02/11/11	02/15/11	2809	659.85	reimbursement	NA	
02/15/11	02/18/11	2810	150.00	wages	NA	
02/23/11	02/25/11	2811	100.00	reimbursement	NA	
Total			<u>\$ 23,436.55</u>			

NA - Not applicable because check was extra payroll or a reimbursement.

^ - Payment was approved by Council.

Reasonable	Improper	Total
-	679.28	679.28
-	100.00	100.00
100.00	-	100.00
-	286.62	286.62
-	456.65	456.65
-	56.75	56.75
-	100.00	100.00
-	26.79	26.79
-	278.49	278.49
100.00	100.00	200.00
-	480.00	480.00
-	546.97	546.97
-	200.00	200.00
48.79 ^	-	48.79
-	65.74	65.74
100.00	-	100.00
-	268.56	268.56
-	540.00	540.00
-	132.76	132.76
100.00	-	100.00
-	464.85	464.85
-	548.76	548.76
-	78.56	78.56
-	715.89	715.89
-	735.63	735.63
100.00	200.00	300.00
-	659.85	659.85
-	150.00	150.00
-	100.00	100.00
<u>\$ 3,534.05</u>	<u>19,902.50</u>	<u>23,436.55</u>

Report on Special Investigation of the
City of Conway

Other Disbursements
For the period October 24, 2002 through March 8, 2011

Per Bank Statement/Check Image					
Check Date	Check Number	Payee	Amount	Check Memo	
11/20/02	2150	Wal-Mart	\$ 16.39	office supplies	
02/03/03	2173	Bedford C-Store	19.34	gas for plow	
04/18/03	2192	SWCC	400.00	-	
05/05/03	2193	SWCC	285.00	fire school	
05/20/03	2199	SWCC	370.00	-	
05/21/03	2200	Walmart	10.38	office supplies	
06/18/03	2212	SWCC	395.00	-	
06/23/03	2213	SWCC	110.00	-	
06/30/03	2214	Walmart	21.92	jeep supplies	
07/07/03	2215	SWCC	250.00	-	
07/16/03	2219	SWCC	300.00	-	
08/03/03	2262	BCS	7.81	mower gas	
12/08/03	2292	SWCC	208.00	printing	
01/29/04	2221	Adult & Continuing Education	799.00	waste water management	
01/31/04	2225	Walmart	85.33	battery/printer	
05/03/04	2239	SWCC	595.00	jeep repair	
05/17/04	2241	SWCC Automotive	214.00	jeep repair	
05/18/04	2244	Adult & Continuing Education	400.00	sewage & waste water	
06/24/04	2255	SWCC Automotive	420.00	tractor repair	
06/28/04	2256	SWCC	369.00	computer	
07/12/04	2305	Adult & Continuing Education	360.00	classes	
07/29/04	2306	Adult Ed	630.00	-	
08/25/04	2314	SWCC	470.00	Inv. 15218	
09/07/04	2319	SWCC	565.00	jeep repair	
11/02/04	2332	Wal-Mart	68.15	printer cartridges	
04/30/05	2370	Slims 66	26.02	mower gas	
05/20/05	2374	Phillips 66	26.62	gas	
05/27/05	2376	Phillips 66	38.70	gas & phonecard	
06/15/05	2385	Phillips 66	28.54	gas & phonecard	
09/06/05	2401	ALCO	17.12	envelopes & stamps	
10/02/05	2411	Dollar General Store	6.42	flex spray	
10/03/05	2412	Orscheln	30.92	none	
11/03/05	2421	Phillips 66	21.40	phonecard	
12/05/05	2433	Hy Vee	55.92	supplies for Council	
03/14/06	2449	ALCO	37.44	ink cartridge	
08/19/06	2479	Hy Vee	29.26	none	
09/01/06	2481	Dollar General Store	30.92	cleaning supplies	

Description per Supporting Documentation	Reasonable	Improper	Unsupported	Sales Tax	Total
Hanging folder, Envelopes, Stapler, NEON LBL, File Folder, Staples, tax	\$ 15.46	-	-	0.93	16.39
<i>No Invoice/Receipt</i>	-	-	19.34	-	19.34
<i>No Invoice/Receipt</i>	-	400.00	-	-	400.00
<i>No Invoice/Receipt</i>	-	285.00	-	-	285.00
<i>No Invoice/Receipt</i>	-	370.00	-	-	370.00
Envelope, Paper; tax	9.79	-	-	0.59	10.38
<i>No Invoice/Receipt</i>	-	395.00	-	-	395.00
<i>No Invoice/Receipt</i>	-	110.00	-	-	110.00
<i>No Invoice/Receipt</i>	-	-	21.92	-	21.92
<i>No Invoice/Receipt</i>	-	250.00	-	-	250.00
<i>No Invoice/Receipt</i>	-	300.00	-	-	300.00
<i>No Invoice/Receipt</i>	-	-	7.81	-	7.81
<i>No Invoice/Receipt</i>	-	208.00	-	-	208.00
<i>No Invoice/Receipt</i>	-	799.00	-	-	799.00
Printer, Battery, Battery RECY, tax	-	85.33	-	-	85.33
<i>No Invoice/Receipt</i>	-	595.00	-	-	595.00
<i>No Invoice/Receipt</i>	-	214.00	-	-	214.00
<i>No Invoice/Receipt</i>	-	400.00	-	-	400.00
<i>No Invoice/Receipt</i>	-	420.00	-	-	420.00
<i>No Invoice/Receipt</i>	-	369.00	-	-	369.00
<i>No Invoice/Receipt</i>	-	360.00	-	-	360.00
<i>No Invoice/Receipt</i>	-	630.00	-	-	630.00
<i>No Invoice/Receipt</i>	-	470.00	-	-	470.00
<i>No Invoice/Receipt</i>	-	565.00	-	-	565.00
Cartridge, Cartridge, tax	63.41	-	-	4.74	68.15
<i>No Invoice/Receipt</i>	-	-	26.02	-	26.02
<i>No Invoice/Receipt</i>	-	-	26.62	-	26.62
Plus CA 14.74 gal, T Americas, tax	28.00	10.70	-	-	38.70
Ice, Ice, Magic Pen, Plus CA 10.03 Gal, tax	20.00	8.54	-	-	28.54
Security Envelopes, tax, cash back	1.98	15.00	-	0.14	17.12
RAB House Garden SPR, RAB House Garden SPR, tax	6.00	-	-	0.42	6.42
<i>No Invoice/Receipt</i> ^	-	-	30.92	-	30.92
<i>No Invoice/Receipt</i> #	-	21.40	-	-	21.40
Bakery, HV wheat bread, Keebler, Hy Vee skim milk, Hy Vee 2% milk, Coca Cola, bottle deposit, DT Coke, bottle deposit, tax	-	55.92	-	-	55.92
LXMRK CLR, tax	34.99	-	-	2.45	37.44
<i>No Invoice/Receipt</i>	-	-	29.26	-	29.26
Large Angle Broom, Roller sponge mop, Dustpan Plastic, Roller Spnge Mop RE, Roller Sponge Mop RE, AM Value 3pk dec tow, Lysol Plus Bleach, Clorox TBC with Bleach, Pine Sol, Pine Sol, tax	28.90	-	-	2.02	30.92

Report on Special Investigation of the
City of Conway

Other Disbursements
For the period October 24, 2002 through March 8, 2011

Per Bank Statement/Check Image

Check Date	Check Number	Payee	Amount	Check Memo
09/08/06	2484	ALCO	35.30	ink cartridge
09/18/06	2492	Petal Pusher	34.10	Barker flowers
11/29/06	2500	ALCO	41.17	ink cartridge & paper
04/16/07	2524	Bedford Flower Shop	34.10	Battery/printer
05/30/07	2531	Orscheln	99.10	paint & supplies
03/02/08	2584	ALCO	47.05	ink cartridge & paper
06/06/08	2606	Orscheln	13.77	supplies
07/21/08	2619	Orscheln	32.09	mowing blades
10/17/10	2783	Beemer Oil	68.00	-
02/07/11	2803	Beemer Oil	130.21	gas for jeep
03/02/11	2814	Beemer Oil	145.87	gas
01/25/11	2801	Breadeaux - Lenox	40.00	pizza
02/25/11	2812	Breadeaux Pizza	67.75	-
Total			<u>\$ 8,507.11</u>	

^ - We were unable to locate a receipt or invoice for the purchase; however, a City official indicated the vendor was frequently used by the City. Therefore, we have considered the disbursement to be unsupported.

- We were unable to locate a receipt or invoice for the purchase; however, according to a City official, the item purchasaed would not be for City operations. Therefore, we have considered the disbursement to be improper.

* - We were unable to locate a receipt or invoice for the purchase; however, according to a City official, the vendor does not appear appropriate for City operations. Therefore, we have considered the disbursement to be improper.

Description per Supporting Documentation	Reasonable	Improper	Unsupported	Sales Tax	Total
LXMRK BLCK, tax	32.99	-	-	2.31	35.30
<i>No Invoice/Receipt</i>	-	-	34.10	-	34.10
LXMRK CLR 10N00, GP Copy Paper, tax	38.48	-	-	2.69	41.17
Plant, Late Fee, tax	-	34.10	-	-	34.10
<i>No Invoice/Receipt ^</i>	-	-	99.10	-	99.10
Cartridge, Copy Paper, Copy Paper, tax	43.97	-	-	3.08	47.05
Oil Index Marine two-cycle QT, Oil Phillips Trop Artic QT, Trimmer Line Super Trim, tax	12.87	-	-	0.90	13.77
<i>No Invoice/Receipt ^</i>	-	-	32.09	-	32.09
<i>No Invoice/Receipt</i>	-	-	68.00	-	68.00
23.0 gal of SNL, ATF and Oil, balance on account	74.21	-	56.00	-	130.21
13.0 gal of SNL, 18 gal of SNL, 2 ATF's, Valv. Oil, <i>unknown</i>	106.07	-	39.80	-	145.87
<i>No Invoice/Receipt *</i>	-	40.00	-	-	40.00
<i>No Invoice/Receipt *</i>	-	67.75	-	-	67.75
	\$ 517.12	7,478.74	490.98	20.27	8,507.11

Report on Special Investigation of the
City of Conway

Late Fees and Interest Penalties on IPERS Payments
For the period October 24, 2002 through March 8, 2011

Date	Description	Amount
04/16/03	Interest on late contribution 03-2003	\$ 10.00
08/03/04	Interest on late contribution 06-2004	10.00
11/10/04	Interest on late contribution 09-2004	10.00
01/19/05	Interest on late contribution 12-2004	10.00
07/21/05	Interest on late contribution 06-2005	10.00
02/02/06	Interest on late contribution 12-2005	10.00
05/03/06	Interest on late contribution 03-2006	10.00
08/02/06	Interest on late contribution 06-2006	10.00
10/25/06	Interest on late contribution 09-2006	10.00
05/14/07	Interest on late contribution 03-2007	10.00
07/19/07	Interest on late contribution 06-2007	10.00
11/28/07	Interest on late contribution 10-2007	10.00
04/17/08	Interest on late contribution 03-2008	10.00
01/31/09	Late fee for December 2008	20.25
04/30/09	Late fee for 03/2009	20.25
05/31/09	Late fee for 04/2009	20.25
05/31/09	Interest for the month 05/2009	20.00
06/30/09	Interest for the month 06/2009	20.00
07/31/09	Interest for the month 07/2009	20.00
08/31/09	Interest for the month 08/2009	20.00
09/30/09	Late fee for 08/2009	20.25
09/30/09	Interest for the month 09/2009	20.00
10/31/09	Late fee for 09/2009	20.25
10/31/09	Interest for the month 10/2009	20.00
11/30/09	Interest for the month 11/2009	20.00
12/31/09	Interest for the month 12/2009	20.00
01/31/10	Interest for the month 01/2010	20.00
02/28/10	Interest for the month 02/2010	20.00
03/31/10	Late fee for 02/2010	20.25
03/31/10	Interest for the month 03/2010	20.00
04/30/10	Interest for the month 04/2010	20.00
05/31/10	Late fee for 04/2010	20.25
05/31/10	Interest for the month 05/2010	20.00
09/30/10	Manual processing fee	20.25
10/31/10	Late fee for 09/2010	20.25
11/30/10	Late fee for 10/2010	20.25
11/30/10	Interest for the month 11/2010	20.00
12/31/10	Late fee for 11/2010	20.25
12/31/10	Interest for the month 12/2010	20.00
01/31/11	Interest for the month 01/2011	20.00
Total		<u>\$ 672.75</u>

Report on Special Investigation of the
City of Conway

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Melissa J. Knoll-Speer, Senior Auditor
Victor L. Kennedy, Assistant Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

**Report on the Special Investigation of the
City of Conway**

Appendix

Report on Special Investigation of the
City of Conway

Copy of Nicole Paul's Written Confession

Date 3/8/2011

Page 1 of 2

This is a statement of;

Name Nicole Marie Paul Date of Birth _____

Address _____

S.S. # _____

Phone # _____

The following statement is true and correct to the best of my knowledge.

I, Nicole Paul, embezzled money from the City of Conway. It began as just getting my quarterly pay early and escalated over the years until the total amount that I took was over \$21,000.00. I was hired as the Clerk for the City in 2002. My husband, _____, was appointed mayor at this time. _____ does not have any idea that I was taking money from the City. He is completely innocent of any wrongdoing in this matter. In the beginning, I had every intention of giving back the money and still do to this day. I was put in a position of trust and I have not been trustworthy. I wrote checks to myself when I knew I was not supposed to. I would write that they were reimbursement checks but I had not purchased anything for the city to be reimbursed for. _____, my boyfriend, has lived with me for 3 and a half months. He has no idea about this matter and was not involved in any way. I am the only one who knew what

Report on Special Investigation of the
City of Conway

Copy of Nicole Paul's Written Confession

Date 3/8/2011

Page 2 of 2

This is a statement of;

Name _____ Date of Birth _____

Address _____ S.S. # _____

Phone # _____

The following statement is true and correct to the best of my knowledge.

I was doing and nobody else should ever
be implicated in this matter.

Nicole Paul
3/8/11