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NEWS RELEASE

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FOR RELEASE _____ January 31, 2012

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Melcher-Dallas for the period July 1, 2007 through June 30, 2010. The special investigation was requested by City officials after it was determined certain utility payments were deposited into the personal bank account of Patricia Ripperger, the former Deputy Clerk.

Vaudt reported the special investigation identified \$16,692.38 of undeposited collections and improper disbursements. This amount includes undeposited collections of \$8,363.42 and improper disbursements of \$8,328.96. The undeposited collections include \$8,269.69 of utility collections deposited to Ms. Ripperger's personal bank account and \$93.73 of utility collections which could not be traced to deposit in the City's bank account.

On June 30, 2008, Ms. Ripperger deposited \$440.71 of City collections to her personal bank account. She repaid the \$440.71 with a personal check on August 15, 2008. On December 4, 2009, Ms. Ripperger deposited \$4,593.79 of City collections to her personal bank account. In this instance, the bank notified the Mayor City funds had been deposited to Ms. Ripperger's personal bank account. On December 14, 2009, the bank recovered the \$4,593.79 from Ms. Ripperger's personal bank account and deposited the funds to the City's bank account. Ms. Ripperger made 2 additional deposits of City collections totaling \$3,235.19 to her personal bank account on April 19, 2010 and May 24, 2010. As a result of an internal review performed by the bank at the request of the Mayor, the 2 improper deposits were identified and on June 9, 2010 the bank recovered the \$3,235.19 from Ms. Ripperger's personal bank account and deposited the funds to the City's bank account. As a result, the entire undeposited utility collections of \$8,269.69 have been recovered by the City.

Vaudt also reported adequate records for utility billings and collections were not available to determine whether additional collections were not properly deposited.

The improper disbursements of \$8,328.96 include \$5,533.00 of improper payroll and related disbursements for Ms. Ripperger. The City also paid the IRS \$2,708.50 for penalties and interest because tax forms were not filed in a timely manner by Ms. Ripperger.

The report also includes recommendations to the City to strengthen the City's internal controls, such as improvements to segregation of duties, approving minutes of City Council meetings and requiring the City Clerk to prepare monthly financial reports. In addition, Vaudt recommended the City perform reconciliations of utility billings, collections and delinquent accounts, maintain supporting documentation for all disbursements, adopt a credit card policy and ensure time sheets are completed in accordance with City policy.

Copies of the report have been filed with the Marion County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1021-0599-BE00.pdf>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF MELCHER-DALLAS**

**FOR THE PERIOD
JULY 1, 2007 THROUGH JUNE 30, 2010**

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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 undeposited collections and at your request, we conducted a special investigation of the City of Melcher-Dallas. We have applied certain tests and procedures to selected financial transactions of the City for the period July 1, 2007 through June 30, 2010. Based on discussions with City personnel and a review of relevant information, we performed the following procedures for the period specified.

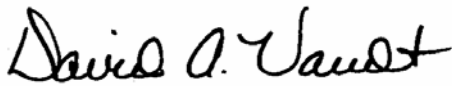
- (1) Evaluated internal controls in place over the City's financial transactions to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed activity in bank accounts held by the City to identify any unusual activity. We also examined copies of certain redeemed checks, deposit slips and related documents for propriety.
- (3) Scanned images of checks from City's bank accounts for reasonableness. We also examined documentation for certain disbursements to determine if they were appropriate, properly approved and supported by adequate documentation.
- (4) Reviewed payroll disbursements to the former Deputy Clerk, Patricia Ripperger, and other city staff to determine if they were appropriate.
- (5) Reviewed timesheets and leave records for the former Deputy Clerk and other city staff to determine if timesheets and leave activity were properly recorded and were in accordance with City policies.
- (6) Examined all reimbursements to the former Deputy Clerk to determine if payments were properly approved and supported.
- (7) Examined certain deposits to the City's bank accounts to determine their source, purpose and propriety and to determine if deposits were made intact.
- (8) Reviewed adjustments to billing and collection information recorded in the City's utility system to determine if adjustments were appropriate.
- (9) Examined available utility billings and collection records to determine if utility activity was properly recorded and all collections were properly deposited.
- (10) Obtained and reviewed the former Deputy Clerk's personal bank statements for accounts held at certain financial institutions to identify the source of certain deposits. We also reviewed disbursements from the accounts to determine if any payments were made to the City.
- (11) Reviewed the termination payout to the former Deputy Clerk to determine if it was properly calculated and supported.
- (12) Examined certain fuel payments to determine if they included charges for personnel usage.

These procedures identified \$16,692.38 of undeposited collections and improper disbursements, of which \$8,269.69 has been recovered. We were unable to determine if additional collections were not properly deposited or additional amounts were improperly disbursed because adequate records for all collections and disbursements 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 **C** 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 Melcher-Dallas, other matters might have come to our attention which would have been reported to you.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 14, 2011

City of Melcher-Dallas

Investigative Summary

Background Information

The City of Melcher-Dallas is located in Marion County and has a population of approximately 1,300. The City employs a City Clerk, a Deputy Clerk and 2 employees who perform meter readings and maintenance on the streets and water treatment plant. Patricia Ripperger was hired as the Deputy Clerk on August 14, 2000. As the Deputy Clerk, Ms. Ripperger was responsible for:

- 1) Receipts – collecting, posting to the accounting records and preparing and making bank deposits for all collections,
- 2) Utilities – preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and accounting records and preparing and making bank deposits.

According to the Mayor, when the previous City Clerk passed away in January 2010, Ms. Ripperger was offered the position of City Clerk. Ms. Ripperger never formally accepted the position and the City Council did not formally recognize her as the City Clerk even though she was performing all the duties of the City Clerk, which included:

- 1) 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,
- 2) Payroll – calculating payroll amounts, preparing, signing and distributing checks and posting to the accounting records,
- 3) Bank accounts – reconciling monthly bank statements to accounting records,
- 4) Reporting – preparing City Council minutes and financial reports, including a monthly City Clerk’s report and the Annual Financial Report.

The City’s primary revenue sources include local option sales tax, road use tax from the State of Iowa and property tax collected by Marion County and remitted to the City. Revenue is also received throughout the year from utility collections for water and sewer fees assessed to each household and business. The City receives payments through the mail or in person. Ms. Ripperger did not prepare receipts for all collections or record the collections on an initial receipts listing. Reconciliations between the amounts billed, collected and deposited for water and sewer services could not be located.

All City disbursements, including payroll, are to be made by check. The checks are required to be signed by both the City Clerk and the Mayor. All disbursements are to be supported by invoices or other support. Support is to be placed in the monthly bills folder. Each month, the City Clerk is to prepare a listing of bills and provide the listing to the City Council for approval. After the City Council approves the bills, the City Clerk is to prepare the checks manually. The checks are to be counter signed by the Mayor.

Monthly bank statements for the City’s bank accounts are mailed directly to City Hall where they are opened by the City Clerk. The bank statements are to be reconciled to the City’s accounting system by the City Clerk. Bank statements and check images are not periodically reviewed by members of the City Council.

During the year ended June 30, 2010, the City hired a CPA firm to compile financial information because Ms. Ripperger did not properly record the City's financial transactions in the accounting system. While compiling the records, the CPA firm determined City funds were deposited to Ms. Ripperger's personal bank account.

The CPA firm notified the Mayor of the problem in late May or early June 2010. After being notified by the CPA firm of deposits of City funds to Ms. Ripperger's personal bank account, the Mayor requested the bank investigate further to identify any additional deposits to Ms. Ripperger's personal account which included City funds. Upon completing its review, the bank notified the Mayor it had identified additional deposits of City funds to Ms. Ripperger's personal bank account.

On June 10, 2010, the Mayor provided a letter to the City Council Members regarding deposits of City funds which were made to Ms. Ripperger's personal bank account and a representative of the CPA firm notified the Office of Auditor of State. A copy of the letter to the City Council Members is included in **Appendix 1**. The City Council met on June 14, 2010 to discuss the concerns identified in the letter. The City Council terminated Ms. Ripperger's employment at the conclusion of the meeting. A copy of the order for removal is also included in **Appendix 1**.

After Ms. Ripperger's termination, City Council Members also reviewed City records and determined financial reports had not been maintained and the expenditures and revenues had not been properly classified in the various funds for years prior to fiscal year 2010. Support for expenditures and utilities were maintained, but were not organized or recorded properly.

As a result, the Mayor contacted the Office of Auditor of State and requested an investigation of the City's financial transactions. We performed the procedures detailed in the Auditor of State's Report for the period July 1, 2007 through June 30, 2010.

Detailed Findings

These procedures identified \$16,692.38 of undeposited collections and improper disbursements for the period July 1, 2007 through June 30, 2010. This amount includes undeposited collections of \$8,363.42 and improper disbursements of \$8,328.96.

The \$8,363.42 of undeposited collections include \$8,269.89 of City funds improperly deposited to Ms. Ripperger's personal bank account and \$93.73 of utility deposits recorded in the utility system which were not deposited to the City's bank account or Ms. Ripperger's personal bank account.

The \$8,328.96 of improper disbursements includes payments to Ms. Ripperger for salary, termination payout and the related City share of FICA and IPERS. These payments total \$5,620.46. In addition, the City incurred \$2,708.50 in IRS penalties and interest as a result of Ms. Ripperger not properly performing her job duties.

All our findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

Undeposited Collections

The City's primary revenue sources include taxes from the State of Iowa and Marion County. Revenue is also received from utility collections for water and sewer fees assessed to each household and business served and other miscellaneous fees. The City sends out utility bills every 2 months. According to City officials we spoke with, payments for utilities are received through the mail and at City Hall. City officials also stated several utility customers routinely paid their utility bills with cash.

Deposits to Ms. Ripperger's Personal Bank Account - The Mayor provided us documentation from the City's bank showing deposits Ms. Ripperger made to her personal bank account included

funds collected by the City for utility payments. Because Ms. Ripperger included City funds in these deposits to her personal bank account, we obtained and reviewed her personal bank statements and deposit detail for the period of our investigation. We identified 4 deposits to her personal bank account which included City funds. The City also identified these 4 deposits. **Table 1** lists the deposits identified.

Deposit Date	Repayment/Correction Date	Amount
06/30/08	08/15/08	\$ 440.71
12/04/09	12/14/09	4,593.79
04/19/10	06/09/10	1,088.25
05/24/10	06/09/10	2,146.94
Total		<u>\$ 8,269.69</u>

As reflected in the **Table**, all of the amounts have been recovered by the City:

- Ms. Ripperger repaid \$440.71 to the City on August 15, 2008.
- On December 14, 2009, the bank recovered \$4,593.79 from Ms. Ripperger’s personal bank account and deposited the funds into the City’s bank account. According to the Mayor, he recalled the bank notifying him City funds had been deposited to Ms. Ripperger’s bank account in December 2009. At the time, he believed it was a mistake by Ms. Ripperger.
- On June 9, 2010, the bank recovered \$3,235.19 from Ms. Ripperger’s personal bank account and deposited the funds into the City’s bank account. The 2 deposits to Ms. Ripperger’s bank account were identified by the bank as a result of the Mayor’s request for the Bank to review City deposits.

Appendix 2 includes copies of the deposit slips and samples of several checks written to the City of Melcher-Dallas which were deposited to Ms. Ripperger’s personal bank account. As illustrated by the **Appendix**, the deposit slips clearly document the name of the account as the City of Melcher-Dallas. However, the account number on the deposit slips (which was redacted) corresponds to Ms. Ripperger’s personal bank account. The **Appendix** also includes the check written by Ms. Ripperger for the repayment of the \$440.71 deposited to her bank account on June 30, 2008. The \$8,269.69 total from **Table 1** is included in **Exhibit A** as undeposited collections. The \$440.71 repaid by Ms. Ripperger and the \$7,828.98 recovered by the bank is also included in the **Exhibit**.

We compared the amounts deposited to Ms. Ripperger’s bank account and the City’s bank account to the amounts recorded as payments in the City’s utility system for 3 of the days City funds were deposited to Ms. Ripperger’s bank account. **Table 2** summarizes our comparison. Because the City maintained a manual utility billing system prior to October 1, 2009 and sufficient records were not readily available, we were unable to perform the comparison for the June 30, 2008 deposit.

Description	12/04/09	04/19/10	05/24/10	Total
Amount of payments posted to utility system	\$ 10,648.15	1,088.25	2,240.67	13,977.07
Less: Amount deposited to the City’s bank account	(6,054.36)	-	-	(6,054.36)
Amount deposited to Ms. Ripperger’s personal bank account	(4,593.79)	(1,088.25)	(2,146.94)	(7,828.98)
Amount unable to trace to deposit	\$ -	-	93.73	93.73

As illustrated by the **Table**, the City's utility system shows a total of \$2,240.67 should have been deposited on May 24, 2010. Only \$2,146.94 was deposited to Ms. Ripperger's bank account on that date and there were no deposits to the City's bank account related to the payments posted in the City's utility system. We are unable to determine the final disposition of the remaining \$93.73; however, it was not deposited to the City's bank account.

The undeposited \$93.73 is included in **Exhibit A** as undeposited collections.

Utility Billings – Prior to October 1, 2009, a manual utility billing system was used and the related records were not maintained by the City. After October 1, 2009, an electronic utility billing system was implemented. Because of the deposits to Ms. Ripperger's personal bank account and the \$93.73 of collections recorded in the billing system but not included in the May 24, 2010 deposits to the bank, we reviewed amounts posted to the utility system as payments and traced the payments to deposits in the City's bank account. In addition to the 4 deposits to Ms. Ripperger's bank account and the variance identified for May 24, 2010, we determined the total amount of payments posted to the City's utility system exceeded the amount actually deposited to the City's bank account on June 15, 2010. The variance identified is summarized in **Table 3**.

Description	Amount
Amount of payments posted to utility system	\$ 2,392.12
Less: Amount deposited to the City's bank account	(1,669.01)
Amount unable to trace to deposit	\$ 723.11

Ms. Ripperger was removed from office effective June 14, 2010. She did not make any of the deposits after this date. The City had several individuals help with recording collections and depositing receipts after Ms. Ripperger was removed from office. The Mayor was unable to determine who made the deposit on June 15, 2010. The deposit slip for that day does not include any indication of who prepared the deposit. Because certain payment transactions were recorded in the utility system with incorrect dates, we were unable to determine why the amount deposited to the City's bank account did not agree to the amount recorded in the utility system.

During our review, we identified the following additional concerns:

- Ms. Ripperger handled all responsibilities for utilities, including depositing collections and recording billings and collections. She had the ability to inaccurately record or not record collections and adjust the following months' customer billing statements to reflect payments.
- Utility reconciliations were not prepared and presented to the City Council. According to the Mayor, City officials did not independently compare the payments posted to the utility billing system to the collections deposited to the bank.
- Only 2 delinquency reports could be located for the period of our review. The first was for October 2009 and showed delinquencies totaled \$4,923.98. The second report was dated August 16, 2010 and showed delinquencies totaled \$35,884.77. Support for the 2 delinquent listings, including delinquent notices or a listing of delinquent accounts, could not be located.
- Billing adjustments made to the system could not be supported. Some of the adjustments included a notation indicating the reason for the adjustment; however, records could not

be located to support the reason noted. The Mayor stated the City Council did not approve any adjustments.

- According to the Mayor, Ms. Ripperger did not charge interest or penalties for delinquent accounts or assess disconnect and reconnect fees.
- We requested the new City Clerk provide us additional information from the utility system for the period of our investigation. After we received the new information, we determined additional transactions had been posted to the payment journal. The new City Clerk had backdated payments received for utility bills related to a prior billing period. The transactions backdated by the new City Clerk include billing adjustments, amounts recorded as billed and amounts recorded as paid.
- The new City Clerk was not maintaining adequate support for billings and subsequent collections. When we compared reports generated by the new City Clerk to additional reports we requested later, we also determined she changed information in the utility system.

Because of the concerns identified above, we are unable to rely on the information recorded in the utility billing system. As a result, we are unable to determine if any additional collections were not properly deposited.

IMPROPER DISBURSEMENTS

Payroll – According to the Mayor, Ms. Ripperger was scheduled to work 30 hours per week when she was hired as the Deputy Clerk. She continued to work her normal scheduled 30 hours per week after she took on the additional duties of the City Clerk. According to the City’s personnel policy, City employees are to be paid on a weekly basis. Employees are allowed to accrue compensatory time for any “authorized time worked in excess of regular scheduled hours.” Compensatory time is accrued on an hour for hour basis until an employee reaches 40 hours per week. After 40 hours per week, compensatory time is accrued at time and a half for every hour worked in excess of 40 hours per week.

All City employees, including Ms. Ripperger, completed timesheets each week. Timesheets include the time the employee arrived and left each day and if the employee earned or used compensatory time or used vacation or sick leave during the pay period. Timesheets are to be signed by the employee, the City Clerk and the Mayor. Ms. Ripperger took on the duty of approving timesheets when the previous City Clerk passed away.

We reviewed Ms. Ripperger’s timesheets for the period March 2, 2008 through June 30, 2010 to determine if they were properly approved and if the hours Ms. Ripperger recorded were properly totaled and reflected in the payroll journal. Timesheets could not be located prior to March 2, 2008.

We reviewed the available timesheets and determined Ms. Ripperger recorded the time she arrived and left each day and how the hours were to be allocated between the water and sewer functions. After taking on the duties of the City Clerk, she should have allocated some of her time to the maintenance function (General Fund). It is not possible to verify the arrival and departure times recorded by Ms. Ripperger. However, the arrival and departure times appeared reasonable. As a result, we accepted the times she recorded as correct.

While she was employed as the Deputy Clerk, Ms. Ripperger’s timesheets were signed by Shirley Seddon, the City Clerk. Ms. Seddon summarized the hours at the bottom of the timesheet and initialed the timesheet. When Ms. Ripperger took on the duties of the City Clerk, her timesheets were to be signed by the Mayor or a City Council Member. We found no evidence the Mayor or a City Council Member reviewed or signed off on her timesheets after she took on the duties of the

City Clerk. Ms. Ripperger signed and approved her own timesheets. Ms. Ripperger’s timesheet for the pay period ended May 16, 2010 is included in **Appendix 3** as an example.

The hours recorded on her timesheets did not follow the City’s policy for accruing hours. We compared the timesheets completed by Ms. Ripperger to the payroll journal and to the leave records maintained by employee. We identified the following:

- The timesheets did not agree to the hours paid according to the payroll journal.
- The hours shown on her timesheets as compensatory time earned and used did not agree to the hours recorded in the leave record.
- The balance shown in the leave record, used to determine her final payout upon her termination by the Board, did not agree to the hours actually used to calculate her termination payout.

The timesheets, payroll journal and leave records for Ms. Ripperger do not agree to each other and cannot be reconciled to one another. As a result, the amounts paid to Ms. Ripperger were not supported by the timesheets she prepared.

As stated previously, Ms. Ripperger was entitled to earn compensatory time on hour for hour basis for hours in excess of her normal 30 hours, up to 40 hours, per pay period. Hours worked in excess of 40 hours in a pay period were allowed to be recorded at time and a half. Because Ms. Ripperger did not follow the policy and recorded all of her compensatory time at time and a half for every hour worked, her timesheets were not accurate and her pay was improperly calculated.

Using the hours from Ms. Ripperger’s timesheets, we recalculated her hours by applying the City’s compensatory time policy correctly. We compared what Ms. Ripperger should have been paid to the actual amount paid per the payroll journal. **Exhibit B** compares the amounts paid per the payroll journal for Ms. Ripperger during the period March 2, 2008 through June 13, 2010, to the amount she should have received based on her timesheets. As shown by the **Exhibit**, Ms. Ripperger was paid for 30 hours each week unless she was also paid for a portion of the compensatory time she earned. **Table 4** summarizes **Exhibit B** by fiscal year.

Table 4

Fiscal Year	Gross Wages per Payroll Journal	Recalculated Gross Wages	Overpayment
2008^	\$ 6,355.80	6,355.80	-
2009	20,587.44	19,996.98	590.46
2010	22,178.80	21,128.71	1,050.09
Total	\$ 49,122.04	47,481.49	1,640.55

^ - Includes the pay periods 03/05/08 to 07/02/08.

As shown in the **Table**, Ms. Ripperger received \$1,640.55 more gross pay over the period of our investigation than she would have if she had been paid in accordance with the City’s policy.

As a result of the overpayments, the City also made additional contributions to FICA and IPERS totaling \$125.94 and \$107.71, respectively. The \$1,640.55 in excess payroll and the \$233.65 in additional FICA and IPERS contributions by the City are included in **Exhibit A** as improper disbursements.

As previously stated, we recalculated Ms. Ripperger’s hours using the City’s compensatory time policy and her timesheets. While recalculating her timesheets, we identified the following:

- On several occasions, the total hours Ms. Ripperger worked were incorrectly calculated based on her recorded time in and out each day. On several occasions, the miscalculation resulted in Ms. Ripperger’s timesheet reflecting ½ hour to 1 hour less than the total time she actually worked. In other cases, the miscalculations resulted in her recording additional time which she did not work.
- She included notes on her timesheet stating “No Chg comp – Make up”. Meaning she worked more than her normal 6 hours per day but did not accrue any compensatory time since she was making up time. However, we did not identify any days on her timesheets where she recorded less than 6 hours.
- We identified 2 instances where she noted it was a day off, but she recorded her time as if she worked when she should have taken vacation or used her compensatory time balance.
- As shown in **Exhibit B**, Ms. Ripperger recorded compensatory time at time and a half on any day she worked over her normally scheduled 6 hours. Ms. Ripperger’s time sheets also included notations at the bottom indicating when she requested and paid out a portion of her compensatory time balance.

Termination Payout – The City’s written policies allow employees to accrue and use vacation, sick leave and compensatory time. According to discussions with City officials, “All vacation earned will be available for use on January 1 of each calendar year based on the employee’s years of service (anniversary date) during the previous calendar year.” According to the City’s written policy, an employee shall receive their initial vacation allotment on the employee’s first anniversary date and thereafter on January 1. The written policy does not identify a limit on the carry forward of accrued vacation from year to year. Employees also receive 2 floating holidays which must be used by the end of the calendar year. As previously stated, employees can receive payment for compensatory time or they can accumulate up to 36 hours of compensatory time.

Upon termination, employees receive payment for unused vacation and compensatory time. Unused sick leave is not paid to employees upon termination.

As previously stated, Ms. Ripperger reported earning overtime for any day where she worked more than 6 hours. She recorded the earned hours in the leave record at time and a half. Using the hours recalculated based on applying the City’s policy correctly, we recalculated the ending balances for her vacation, sick leave and compensatory time.

Table 5 includes the amount she received as her payout for her accrued compensatory time, vacation, and sick leave based on her calculation of the amount owed to her. The **Table** compares that amount to the amount she should have received based on the recalculated leave balances.

Table 5

Description	Per Final Payout		Recalculated Payout		Overpayment	
	Hours	Amount	Hours	Amount	Hours	Amount
Vacation	195.00	\$ 2,443.35	137.00	\$ 1,716.61	58.00	\$ 726.74
Sick Leave	195.50	2,449.62	*	*	195.50	2,449.62
Compensatory Time	25.50	319.52	7.75	97.08	17.75	222.44
Total	416.00	\$ 5,212.49	144.75	\$ 1,813.69	271.25	\$ 3,398.80

* - The City does not payout any unused sick leave.

As shown by the **Table**, Ms. Ripperger received \$3,398.80 more in termination pay than she should have received in accordance with the City’s policies. Ms. Ripperger prepared the payout calculation and presented it to the City Council for approval. A copy of the City’s Calculation and Verification Journal, prepared by Ms. Ripperger is included in **Appendix 4**.

Because the City is required to pay FICA on the termination pay, the City incurred an additional \$260.00 of FICA on the improper amount paid to Ms. Ripperger upon her termination. The City did not make any contributions to IPERS for Ms. Ripperger's termination payout. The \$3,398.80 and the related FICA of \$260.00 are included in **Exhibit A** as improper disbursements.

Other Payments to Ms. Ripperger – According to a City Council Member we spoke with, Ms. Ripperger was approved to clean City Hall on an as needed basis outside her normal work day at a rate of \$7.00 per hour. In addition, City policies allow each employee \$125.00 per year for medical, dental and vision expenses. We reviewed all non-payroll checks issued to Ms. Ripperger. For the period of our investigation, we identified 18 checks issued to Ms. Ripperger. We determined the following related to the 18 checks:

- 15 checks were supported by adequate documentation. Of these, 13 were for cleaning City Hall and 2 were for reimbursement of medical expenses under the City's policy.
- A \$7.00 check was not supported. However, because Ms. Ripperger was paid \$7.00 per hour for cleaning City Hall and did not have any taxes withheld from the payments, the \$7.00 payment appears reasonable.
- 2 checks totaling \$87.46 were written to "Petty Cash/Ms. Ripperger." These checks were not supported by documentation. According to the Mayor, the City only has a change fund used to make change for residents who pay their utility bills in cash. There would be no reason for these checks to have been issued for petty cash. The \$87.46 is included in **Exhibit A** as improper disbursements.

Because timesheets were not located for the period prior to March 2, 2008, we were unable to determine if any additional payments made to Ms. Ripperger were improper.

Other Disbursements - Because Ms. Ripperger did not properly perform her job duties, the City paid \$2,708.50 of penalties and interest related to the failure to file the City's 941 reports with the IRS in a timely manner. Had Ms. Ripperger properly performed her duties, the City would not have incurred the penalties and interest. The \$2,708.50 is included in **Exhibit A** as improper disbursements.

OTHER CONCERNS

Oversight – The City Council is responsible for all City operations, including financial operations. Oversight is achieved by requiring reports be submitted and reviewed by the City Council in a timely manner. We identified the following issues related to the City Council's oversight of City operations.

- Information System – The City does not have a written disaster recovery plan. In addition, the City does not have written policies regarding internet usage or policies requiring:
 - use of a user name or password,
 - maintenance of password privacy and confidentiality,
 - passwords be changed at least every 60 to 90 days and
 - password history be maintained to prevent employees from reusing the same password.
- Policies and Procedures Manual – The City does not have an accounting policies and procedures manual although the City does have a personnel policies and procedures manual. We reviewed several motions passed by City Council to amend this manual. However, a current manual does not accurately reflect the changes made by the City Council.

- Bank Reconciliations - Monthly reconciliations comparing the City Clerk's balances to the bank accounts and investments were not prepared. A list of outstanding checks was not always prepared for each month or retained.
- Reconciliation of Public Works Billings, Collections and Inventory – Public Works billings, collections and inventory were not reconciled.
- Prenumbered Receipts/Initial Listing - Although prenumbered receipts were issued, they were not issued for all collections. In addition, a listing of cash and checks received in the mail was not prepared.
- Safeguarding City Records - Accounting records were not stored in a secure place, such as a fireproof locked file.
- Gas Cards – The City has gas cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the gas cards or to require support for any charges made using the gas cards.
- Separately Maintained Records – The Fire Department and Library maintain bank accounts for fundraiser and donation activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports.
- Time Allocation – When Ms. Ripperger took on the duties of the City Clerk, she continued to allocate all her time to water and sewer. She should have allocated a portion of her time to maintenance function (General Fund).

Code Compliance - The City Council is responsible for all City operations, including compliance with various sections of the *Code of Iowa*. We identified the following issues related to compliance with the *Code of Iowa*.

- Deposits and Investments – The City has not adopted a written investment policy as required by section 12B.10B of the *Code of Iowa*.
- Minutes - Chapter 21 of the *Code of Iowa* requires minutes be kept of all meetings of governmental bodies. Some of the minutes available for our review were not properly signed by the City Clerk or Mayor to authenticate the record as required by section 380.7(4) of the *Code* and not all disbursements were presented to the City Council for approval.
- Public Works Department – Chapter 23A of the *Code of Iowa* discusses noncompetition by government. The City's Public Works Department provides rock to private individuals for a fee paid to the City. This may violate the noncompetition provisions of Chapter 23A of the *Code of Iowa*.
- Electronic Check Retention – Section 554D.114 of the *Code of Iowa* allows the City to retain redeemed checks in an electronic format and requires retention in this manner to include an image of both the front and back of each redeemed check. The City retains electronic images of the front of redeemed checks, but not the back.
- Water Deposits - During October 2006, the City Council adjusted the water deposit fees for new customers by motion. However, section 384.84 of the *Code of Iowa* requires utility rates be established by ordinance, not by motion.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Melcher-Dallas to perform bank reconciliations and process receipts, disbursements and payroll. An important aspect of internal control is to establish procedures to provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on 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's internal controls.

A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the City, one individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (6) Cash – handling, reconciling and recording.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Information system (computer usage) – performing all general accounting functions and controlling all data and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. By involving City elected officials in these processes, the City can improve its segregation of duties. Examples include performing bank and utility reconciliations and reviewing supporting documentation for expenditures.

B. Utilities – During our review of the City's utility billings, we determined:

- Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- A delinquent accounts listing was not consistently prepared and retained.
- Penalties for delinquent accounts were not properly charged.
- Write-offs and assessments of accounts deemed uncollectible were not approved by the City Council.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The City Council or someone independent of the utility billing process should review the reconciliations and monitor

delinquencies. Established policies and procedures for delinquent accounts should be followed. Write-offs and assessment of uncollectible accounts should be approved by the City Council prior to write off or submission of the accounts to the County Treasurer. To properly identify amounts due to customers for deposits, the City should separate this activity within the Enterprise, Water Fund by establishing a separate customer deposit account within the fund. The balance in this account should then be reconciled with the City's detailed listing of meter deposits on a periodic basis.

C. Information System – The City does not have a written disaster recovery plan. In addition, the City does not have written policies requiring the following

- (1) The use of a user name or password.
- (2) Maintaining password privacy and confidentiality.
- (3) Requiring passwords be changed at least every 60 to 90 days.
- (4) Requiring password history be maintained to prevent employees from reusing the same password.
- (5) Usage of the internet.

Recommendation – A written disaster recovery plan should be developed and tested periodically. The City should also develop written policies addressing the concerns identified in order to improve the City's control over computer based financial systems.

D. Policies and Procedures Manual – The City does not have an accounting policies and procedures manual but does have a personnel policies and procedures manual. We identified several motions passed by the City Council to amend the manual. The current manual does not accurately reflect the changes adopted by the City Council.

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

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

The City should develop procedures to ensure the personnel policies and procedures manual is maintained on a current basis consistent with all approved amendments.

E. Bank Reconciliations - Monthly reconciliations of the City Clerk's balances to the bank accounts and investments were not prepared. A list of outstanding checks was not prepared for each month or retained.

Recommendation - To improve financial accountability and control, a monthly reconciliation of the City Clerk's balances and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained.

F. Reconciliation of Rock Billings, Collections and Inventory – Public works rock billings, collections and inventory were not reconciled.

Recommendation - Procedures should be established to reconcile rock billings, collections and inventory. The City Council should review the reconciliation and monitor inventory.

- G. Timesheets – Although timesheets are prepared and submitted each pay period by all personnel, the timesheets are not always signed by the employee and approved by the employee’s immediate supervisor.

We also identified Ms. Ripperger was not properly allocating her time after she took on the duties of the City Clerk. She continued to allocate her time to the water and sewer functions when some of her time should have been allocated to the maintenance function (General Fund).

Recommendation – Timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor or department head prior to submission. The City Clerk’s timesheet should be approved by the Mayor or a member of the City Council. The hours on the timesheets should be properly allocated between functions for accounting and reporting purposes.

- H. Prenumbered Receipts - Although prenumbered receipts were issued, they were not issued for all 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.

- I. Receipt Mail Listing - A listing of cash and checks received in the mail is not prepared.

Recommendation - The employee opening the mail should prepare a list of checks and cash received. Later, the listing should be compared, at least on a test basis, to the cash receipts records by someone independent of the receipts process.

- J. Gas Cards – The City has gas cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the gas cards or establish procedures requiring support for any gas charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards and gas cards. The policy, at a minimum, should address who controls credit cards and gas cards, who is authorized to use credit cards and gas cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- K. City Council Minutes – Except as noted below, no transactions were found which we believe should have been approved in the minutes but were not.

- Certain minutes of City Council meetings were not signed in accordance with Chapter 380.7 of the *Code of Iowa*.
- Transfers between funds were not approved in the City Council minutes.
- The City did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.
- The City Council went into closed session numerous times during the year ended June 30, 2010. However, for the closed meeting on February 1, 2010, the City Council did not re-enter into open session prior to adjournment in accordance with section 21.5 of the *Code of Iowa*.

Recommendation – The City should comply with Chapter 21 of the *Code of Iowa*. The City should ensure annual individual gross salaries are published as required. All minutes of City Council meetings should be signed to authenticate the action taken. Also, all transfers between funds should be approved by the City Council.

- L. Deposits and Investments – The City has not adopted a written investment policy as required by section 12B.10B of the *Code of Iowa*.

Recommendation – The City should adopt a written investment policy which complies with the provisions of section 12B.10B of the *Code of Iowa*.

- M. Separately Maintained Records – The Fire Department and Library maintain bank accounts for fundraiser and donation activity separate from the City Clerk's accounting records. The transactions and resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports.

Recommendation – Section 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 included in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

- N. Public Works Department – Chapter 23A of the *Code of Iowa* discusses noncompetition by government. Specifically, section 23A.2 states, in part, "A state agency or political subdivision shall not, unless specifically authorized by statute, rule, ordinance, or regulation:

- (a) Engage in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing, or advertising of goods or services to the public which are also offered by private enterprise unless such goods or services are for use or consumption exclusively by the state agency or political subdivision.
- (b) Offer or provide goods or services to the public for or through another state agency or political subdivision, by intergovernmental agreement or otherwise, in violation of this chapter."

The City's Public Works Department provides rock to private individuals for a fee paid to the City. This may violate the noncompetition provisions of Chapter 23A of the *Code of Iowa*.

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

- O. Waived Compensation – The City Council waived pay for special meetings for fiscal years prior to 2010. This violates section 372.13(8) of the *Code of Iowa*, which states, "By ordinance, the council shall prescribe the compensation of the mayor, council members and other elected city officers". The City Council did not amend the ordinance in order to waive pay for special meetings.

Recommendation – The City should ensure City Council Member pay is in accordance with the established City ordinance or modify the ordinance accordingly.

- P. Electronic Check Retention – Section 554D.114 of the *Code of Iowa* allows the City to retain redeemed checks in an electronic format and requires retention in this manner to include an image of both the front and back of each redeemed check. The City

retained electronic images of the front of redeemed checks, but not the back of redeemed checks.

Recommendation - The City should retain an image of both the front and back of each redeemed check as required.

- Q. Water Deposits - During October 2006, the City Council adjusted the water deposit fees for new customers by motion. However, section 384.84 of the *Code of Iowa* requires utility rates be established by ordinance of the City Council.

Recommendation - The City Council should establish or amend rates by ordinance as required.

Exhibits

**Report on Special Investigation of the
City of Melcher-Dallas**

Report on Special Investigation of the
City of Melcher-Dallas

Summary of Findings
For the Period July 1, 2007 through June 30, 2010

Description	Exhibit/Table/ Page Number	Amount
Undeposited collections:		
Deposits to Patricia Ripperger's personal bank account	Table 1	\$ 8,269.69
Undeposited utility collections:		
May 24, 2010	Page 8	93.73
Total undeposited collections		<u>8,363.42</u>
Improper disbursements:		
Payroll:		
Salary overpayment	Table 4	1,640.55
Additional FICA on salary overpayment	Exhibit B	125.94
Additional IPERS on salary overpayment	Exhibit B	107.71
Termination payout	Table 5	3,398.80
Additional FICA on termination payout	Page 12	260.00
Other disbursements:		
Petty cash/Ms. Ripperger	Page 12	87.46
IRS penalties and interest due to failure to file 941's timely	Page 12	2,708.50
Total improper disbursements		<u>8,328.96</u>
Total undeposited collections and improper disbursements		16,692.38
Less: Repayment of undeposited collections made by Ms. Ripperger	Page 7	(440.71)
Recovery of undeposited collections by the bank	Page 7	<u>(7,828.98)</u>
Net amount		<u>\$ 8,422.69</u>

Report on Special Investigation of the
City of Melcher-Dallas

Comparison of Payroll Journal to Recalculations From Timesheets
For the Period July 1, 2007 through June 30, 2010

Per Payroll Journal

Check Number	Check Date	Approved Hourly Rate	Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages
17816	03/05/08	# \$ 11.77	30.00	-	\$ 353.10	-	353.10
17848	03/12/08	11.77	30.00	-	353.10	-	353.10
17863	03/19/08	11.77	30.00	-	353.10	-	353.10
17872	03/26/08	11.77	30.00	-	353.10	-	353.10
17889	04/02/08	11.77	30.00	-	353.10	-	353.10
17904	04/09/08	11.77	30.00	-	353.10	-	353.10
17916	04/16/08	11.77	30.00	-	353.10	-	353.10
17923	04/23/08	11.77	30.00	-	353.10	-	353.10
17935	04/30/08	11.77	30.00	-	353.10	-	353.10
17942	05/07/08	11.77	30.00	-	353.10	-	353.10
17955	05/14/08	11.77	30.00	-	353.10	-	353.10
17962	05/21/08	11.77	30.00	-	353.10	-	353.10
17974	05/28/08	11.77	30.00	-	353.10	-	353.10
17984	06/04/08	11.77	30.00	-	353.10	-	353.10
17996	06/11/08	11.77	30.00	-	353.10	-	353.10
18154	06/18/08	11.77	30.00	-	353.10	-	353.10
18167	06/25/08	11.77	30.00	-	353.10	-	353.10
18186	07/02/08	11.77	30.00	-	353.10	-	353.10
Subtotal fiscal year 2008			540.00	-	6,355.80	-	6,355.80
18204	07/09/08	12.05	30.00	-	361.50	-	361.50
18215	07/06/08	12.05	30.00	-	361.50	-	361.50
18275	07/23/08	12.05	30.00	-	361.50	-	361.50
18284	07/30/08	12.05	30.00	-	361.50	-	361.50
18298	08/06/08	12.05	30.00	-	361.50	-	361.50
18346	08/13/08	12.05	30.00	-	361.50	-	361.50
18360	08/20/08	12.05	30.00	-	361.50	-	361.50
18370	08/27/08	12.05	30.00	-	361.50	-	361.50
18385	09/03/08	12.05	30.00	-	361.50	-	361.50
18394	09/10/08	12.05	30.00	-	361.50	-	361.50
18447	09/17/08	12.05	30.00	-	361.50	-	361.50
18458	09/24/08	12.05	30.00	-	361.50	-	361.50
18474	10/01/08	12.05	30.00	-	361.50	-	361.50
18482	10/08/08	12.05	30.00	-	361.50	-	361.50
18537	10/15/08	12.05	30.00	-	361.50	-	361.50
18546	10/22/08	12.05	30.00	-	361.50	-	361.50
18562	10/29/08	12.05	30.00	-	361.50	-	361.50
18578	11/05/08	12.05	30.00	-	361.50	-	361.50
18625	11/12/08	12.05	30.00	-	361.50	-	361.50
18635	11/19/08	12.05	30.00	-	361.50	-	361.50
18647	11/26/08	12.05	30.00	-	361.50	-	361.50
18658	12/03/08	12.05	30.00	-	361.50	-	361.50
18720	12/10/08	12.05	30.00	-	361.50	-	361.50
18745	12/17/08	12.05	30.00	-	361.50	-	361.50
18758	12/23/08	12.05	30.00	-	361.50	-	361.50
18768	12/30/08	12.05	30.00	-	361.50	-	361.50

Recalculated Based on Corrected Timesheets

Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages	Over/(Under) Payment	FICA	IPERS
30.00	-	\$ 353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
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30.00	-	353.10	-	353.10	-	-	-
30.00	-	353.10	-	353.10	-	-	-
540.00	-	6,355.80	-	6,355.80	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
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30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-

Report on Special Investigation of the
City of Melcher-Dallas

Comparison of Payroll Journal to Recalculations From Timesheets
For the Period July 1, 2007 through June 30, 2010

Per Payroll Journal

Check Number	Check Date	Approved Hourly Rate	Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages
18783	01/07/09	12.05	30.00	-	361.50	-	361.50
18831	01/14/09	12.05	30.00	-	361.50	-	361.50
18847	01/21/09	12.05	30.00	-	361.50	-	361.50
18859	01/28/09	12.05	30.00	-	361.50	-	361.50
18876	02/04/09	12.05	30.00	-	361.50	-	361.50
18909	02/11/09	12.05	30.00	-	361.50	-	361.50
18929	02/18/09	12.05	30.00	-	361.50	-	361.50
18937	02/25/09	12.05	30.00	-	361.50	-	361.50
18955	03/24/09	12.05	30.00	-	361.50	-	361.50
18997	03/11/09	12.05	30.00	-	361.50	-	361.50
19009	03/18/10	12.05	30.00	-	361.50	-	361.50
19818	03/25/09	12.05	30.00	-	361.50	-	361.50
19033	04/01/09	12.05	30.00	-	361.50	-	361.50
19042	04/08/09	12.05	30.00	15.00	361.50	180.75	542.25
19056	04/15/09	12.05	30.00	15.00	361.50	180.75	542.25
19105	04/22/09	12.05	30.00	16.50	361.50	198.83	560.33
19119	04/29/09	12.05	30.00	15.00	361.50	180.75	542.25
19130	05/06/09	12.05	30.00	12.00	361.50	144.60	506.10
19151	05/13/09	12.05	30.00	15.00	361.50	180.75	542.25
19200	05/20/09	12.05	30.00	15.00	361.50	180.75	542.25
19214	05/27/09	12.05	30.00	15.00	361.50	180.75	542.25
19226	06/03/09	12.05	30.00	12.00	361.50	144.61	506.11
19240	06/10/09	12.05	30.00	9.00	361.50	108.45	469.95
19292	06/17/09	12.05	30.00	9.00	361.50	108.45	469.95
19306	06/24/09	12.05	30.00	-	361.50	-	361.50
19318	07/01/09	12.05	30.00	-	361.50	-	361.50
Subtotal fiscal year 2009			1,560.00	148.50	18,798.00	1,789.44	20,587.44
19333	07/08/09	12.53	30.00	-	370.14	-	370.14
19372	07/15/09	12.53	30.00	-	375.90	-	375.90
19391	07/22/09	12.53	30.00	-	375.90	-	375.90
19400	07/29/09	12.53	30.00	-	375.90	-	375.90
19413	08/05/09	12.53	30.00	-	375.90	-	375.90
19421	08/10/09	12.53	30.00	-	375.90	-	375.90
19466	08/19/09	12.53	30.00	-	375.90	-	375.90
19477	08/26/09	12.53	30.00	-	375.90	-	375.90
19495	09/02/09	12.53	30.00	-	375.90	-	375.90
19526	09/09/09	12.53	30.00	-	375.90	-	375.90
19539	09/16/09	12.53	30.00	-	375.90	-	375.90
19566	09/23/09	12.53	30.00	-	375.90	-	375.90
19576	09/30/09	12.53	30.00	-	375.90	-	375.90
19590	10/07/09	12.53	30.00	24.00	375.90	300.72	676.62
19641	10/14/09	12.53	30.00	-	375.90	-	375.90
19650	10/21/09	12.53	30.00	-	375.90	-	375.90
19666	10/28/09	12.53	30.00	-	375.90	-	375.90
19675	11/04/09	12.53	30.00	13.50	375.90	169.16	545.06
19718	11/11/09	12.53	30.00	12.00	375.90	150.36	526.26

Recalculated Based on Corrected Timesheets

Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages	Over/(Under) Payment	FICA	IPERS
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
40.00	-	482.00	-	482.00	60.25	4.61	3.83
40.00	-	482.00	-	482.00	60.25	4.61	3.83
40.00	1.50	482.00	18.08	500.08	60.26	4.61	3.83
40.00	-	482.00	-	482.00	60.25	4.61	3.83
38.00	-	457.90	-	457.90	48.20	3.69	3.06
40.00	-	482.00	-	482.00	60.25	4.61	3.83
40.00	-	482.00	-	482.00	60.25	4.61	3.83
40.00	-	482.00	-	482.00	60.25	4.61	3.83
38.00	-	457.90	-	457.90	48.21	3.69	3.06
36.00	-	433.80	-	433.80	36.15	2.77	2.30
36.00	-	433.80	-	433.80	36.15	2.77	2.30
30.00	-	361.50	-	361.50	-	-	-
30.00	-	361.50	-	361.50	-	-	-
1,658.00	1.50	19,978.90	18.08	19,996.98	590.47	45.17	37.49
30.00	-	375.90	-	375.90	(5.76)	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
40.00	9.00	501.20	112.77	613.97	62.65	4.79	4.17
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
39.50	-	494.94	-	494.94	50.12	3.83	3.33
38.00	-	476.14	-	476.14	50.12	3.83	3.33

Report on Special Investigation of the
City of Melcher-Dallas

Comparison of Payroll Journal to Recalculations From Timesheets
For the Period July 1, 2007 through June 30, 2010

Per Payroll Journal

Check Number	Check Date	Approved Hourly Rate	Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages
19728	11/18/09	12.53	30.00	-	375.90	-	375.90
19744	11/25/09	12.53	30.00	-	375.90	-	375.90
19757	12/02/09	12.53	30.00	-	375.90	-	375.90
19780	12/09/09	12.53	30.00	-	375.90	-	375.90
19830	12/16/09	12.53	30.00	-	375.90	-	375.90
19843	12/23/09	12.53	30.00	-	375.90	-	375.90
19859	12/30/09	12.53	30.00	-	375.90	-	375.90
19874	01/06/10	12.53	30.00	-	375.90	-	375.90
19914	01/13/10	12.53	30.00	-	375.90	-	375.90
19927	01/20/10	12.53	30.00	-	375.90	-	375.90
19933	01/27/10	12.53	30.00	15.00	375.90	187.96	563.86
19945	02/03/10	12.53	30.00	15.00	375.90	187.96	563.86
19952	02/10/10	12.53	30.00	19.50	375.90	244.34	620.24
20013	02/17/10	12.53	30.00	9.75	375.90	122.17	498.07
20023	02/24/10	12.53	30.00	18.00	375.90	225.54	601.44
20036	03/03/10	12.53	30.00	15.00	375.90	187.95	563.85
20045	03/10/10	12.53	30.00	12.00	375.90	150.36	526.26
20093	03/17/10	12.53	30.00	9.00	375.90	112.78	488.68
20103	03/24/10	12.53	30.00	22.50	375.90	281.92	657.82
20117	03/31/10	12.53	30.00	18.00	375.90	225.54	601.44
20125	04/07/10	12.53	30.00	7.50	375.90	93.98	469.88
20141	04/14/10	12.53	30.00	9.00	375.90	112.77	488.67
20190	04/21/10	12.53	30.00	16.50	375.90	206.75	582.65
20207	04/28/10	12.53	30.00	-	375.90	-	375.90
20217	05/05/10	12.53	30.00	15.75	375.90	197.48	573.38
20232	05/12/10	12.53	30.00	-	375.90	-	375.90
20277	05/19/10	12.53	40.00	3.00	501.20	37.60	538.80
20295	05/26/10	12.53	34.50	-	432.29	-	432.29
20307	06/02/10	12.53	31.00	-	388.43	-	388.43
20329	06/16/10	12.53	30.00	-	375.90	-	375.90
20392	06/23/10	12.53	30.00	-	375.90	-	375.90
Subtotals fiscal year 2010			1,515.50	255.00	18,983.46	3,195.34	22,178.80
Total			3,615.50	403.50	\$ 44,137.26	4,984.78	49,122.04

^ - Includes compensatory time (hours in excess of regularly scheduled 30 hours up to 40 hours total per week), vacation and sick leave paid at the normal hourly rate.

* - Compensatory time (hours in excess of 40 hours total per week) recorded at time and a half (Example - 10 hours *1.5 = 15 hours).

- Timesheets prior to March 2008 could not be located.

Recalculated Based on Corrected Timesheets


Regular Hours ^	Compensatory Time Hours *	Regular Wages	Compensatory Time Wages	Total Gross Wages	Over/(Under) Payment	FICA	IPERS
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
30.00	-	375.90	-	375.90	-	-	-
40.00	-	501.20	-	501.20	62.66	4.79	4.17
40.00	-	501.20	-	501.20	62.66	4.79	4.17
40.00	4.50	501.20	56.39	557.59	62.66	4.79	4.17
36.50	-	457.35	-	457.35	40.73	3.12	2.71
40.00	3.00	501.20	37.59	538.79	62.65	4.79	4.17
40.00	-	501.20	-	501.20	62.65	4.79	4.17
38.00	-	476.14	-	476.14	50.12	3.83	3.33
36.00	-	451.08	-	451.08	37.60	2.88	2.50
40.00	7.50	501.20	93.98	595.18	62.65	4.79	4.17
40.00	2.00	501.20	25.06	526.26	75.18	5.75	5.00
37.50	-	469.88	-	469.88	0.00	0.00	0.00
37.00	-	463.61	-	463.61	25.06	1.92	1.67
40.00	1.50	501.20	18.80	520.00	62.66	4.79	4.17
30.00	-	375.90	-	375.90	-	-	-
40.00	0.75	501.20	9.40	510.60	62.78	4.80	4.18
30.00	-	375.90	-	375.90	-	-	-
40.00	2.00	501.20	25.06	526.26	12.54	0.96	0.83
34.50	-	432.29	-	432.29	0.01	0.00	0.00
31.00	-	388.43	-	388.43	-	-	-
30.00	-	375.90	-	375.90	-	-	-
18.00	-	225.54	-	225.54	150.36	11.50	10.00
1,656.00	30.25	20,749.68	379.03	21,128.71	1,050.09	80.77	70.21
3,854.00	31.75	\$47,084.38	397.11	47,481.49	1,640.55	125.94	107.71

Report on Special Investigation of the
City of Melcher-Dallas

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
James S. Cunningham, CPA, Manager
Brett M. Zeller, Senior Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Mayor's Letter to City Council and the Order for Removal

Letter to the Melcher Dallas City Council from Amos O Spoon, Mayor of the City of Melcher Dallas

Date: June 10, 2010

Employee: Patricia Ripperger, Deputy City Clerk

Regarding: Errors related to deposits of funds intended for the City of Melcher Dallas

Personnel Action: Suspension while investigation takes place

It was brought to my attention that inaccuracies had been found pertaining to deposits intended for the City of Melcher Dallas.

This morning I had a conversation with Mrs. Ripperger regarding these inaccuracies. Mrs. Ripperger quickly pointed out that these types of inaccuracies had happened before and that while Shirley, the former City Clerk, was balancing the city's monthly funds, she would find these inaccuracies and at that time they would be corrected. The cause of these inaccuracies tended to happen when Mrs. Ripperger would make out a deposit slip for her payroll check or other funds to go into her personal account and then switch over to doing her city work. At these times she would enter the name of the account correctly (City of Melcher Dallas) but mistakenly enter her account number on the deposit slip.

I felt it was the best for all parties involved that Mrs. Ripperger be placed on suspension pending the outcome of my investigation of the incidents and the presentation of my findings to the City Council. I further explained that work was not the place to be doing personal business and pointed out faults of the system that could have been addressed and changes made to eliminate the problem that caused the inaccuracies.

After our conversation Mrs. Ripperger picked up some of her personal items and left the City Hall.

This afternoon I went to the Iowa States Savings Bank's main office in Knoxville. The manager I needed to speak with was not in the office, but she had made copies of six (6) deposit slips intended for the City of Melcher Dallas, but with Mrs. Ripperger's account number instead of that of the city's. These occurred since June of 2008. Mrs. Ripperger has admitted to earlier such mistakes.

It is my conclusion that Mrs. Ripperger has made mistakes, but in the past there has been someone to cover for these mistakes. I can not lay blame on Mrs. Ripperger, only finding fault that she did not learn to be more accurate in the performance of her duties after the first time it occurred and fault in covering for her instead of helping her to be more diligent in her duties.

Respectfully submitted,



Amos O Spoon

Mayor, City of Melcher Dallas

Auditor's note – **Table 1** on page 7 includes the 4 deposits made to Ms. Ripperger's personal bank account. Because we were only able to obtain 4 deposit slips directly from the bank, we are unsure why the Mayor refers to 6 deposit slips in this letter.

From the desk of Amos O Spoon, Mayor, City of Melcher Dallas

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Mayor's Letter to City Council and the Order for Removal

ORDER FOR REMOVAL

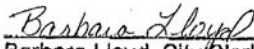
From: City of Melcher-Dallas
P.O. Box H
Melcher-Dallas, IA 50062

To: Patricia Ripperger
366 Vermont Dr.
Lacona, IA 50139

You are hereby notified that your employment with the City of Melcher-Dallas, Iowa, as Deputy Clerk is terminated as of June 14, 2010. You are further notified that you are removed from office as Deputy City Clerk for the reason that you have failed to adequately perform your duties.

Dated this 14 day of June, 2010.

By order of the City Council of the City of Melcher-Dallas, Iowa.


Barbara Lloyd, City Clerk

Auditor's note – Per City officials, Ms. Lloyd served as the City's temporary clerk for just a few days in June 2010.

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

RESRV DIRECTSOURCE 2PSY0884

CASH IN TICKET
TELLER NO. 14

IOWA STATE SAVINGS BANK
KNOXVILLE, IA 50138

City

\$ 80.90

801

GLA Debits - 12/04/2009

ISSB >.

IOWA STATE SAVINGS BANK

GLA Debits - 12/04/2009


Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

1956
72-249/0739

DATE 12/1/09

PAY TO THE ORDER OF City of Melcher-Dallas \$ 116.68⁰⁰
One Hundred Sixteen and 68/100 DOLLARS

 **BANK OF AMERICA**
Ankeny Office
411 N ANKENY BLVD
ANKENY, IA 50023
1-800-486-2345

FOR Water Lerraine Hubbert

Transit - 12/04/2009

2/04/2009 000401000219

**FOR BANK ONLY
CITY OF MELCHER-DALLAS**

Security
Features
Printed
on
High
Quality
Paper

1. The amount of the check must be printed in figures and words.
2. The date of the check must be printed in figures and words.
3. The name of the payee must be printed in figures and words.
4. The name of the bank must be printed in figures and words.
5. The name of the branch must be printed in figures and words.
6. The name of the city must be printed in figures and words.
7. The name of the state must be printed in figures and words.
8. The name of the country must be printed in figures and words.
9. The name of the continent must be printed in figures and words.
10. The name of the world must be printed in figures and words.

Transit - 12/04/2009

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

CJ

DEPOSIT
Iowa State Savings Bank
Excelsior and Melcher-Dallas Iowa • Member FDIC
641.228.5000 • www.issb.com

Deposits may not be available for immediate withdrawal.
PLEASE LIST EACH SEPARATELY BELOW

CURRENCY	356	-
SILVER		08
CHECKS	732	17
LESS CASH		

Checks and other items received for deposit to this account are subject to the rules and regulations of this bank.

DATE 4/14/10

NAME City of Melcher-Dallas

ACCOUNT NUMBER [REDACTED]

TOTAL DEPOSIT 1088.25

DDA Credits - 04/19/2010

ISS 0739028214 04/19/2010 000401001054

CHECKS LIST EACH SEPARATELY	ADDITIONAL CHECK LISTING SPACE	
	DOLLARS	CENTS
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
TOTAL		

FORWARD TO OTHER SIDE

DDA Credits - 04/19/2010

Appendix 2

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

FIBERV DIRECTSOURCE ZX0X1743

**CASH IN TICKET
TELLER NO. 15**

IOWA STATE SAVINGS BANK
KNOXVILLE, IA 50138

City of M-D

\$ *356.00*

801

GLA Debits - 04/19/2010

ISSB->

GLA Debits - 04/19/2010

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

LAURIE A. KENNEDY
TERRY W. KENNEDY

3653
33-22/730 2488
2910476098

4-16-10 Date

Pay to the Order of Melcher-Dallas City Hall \$ 65⁰⁰

Sixty five 00 Dollars

Wells Fargo Bank, N.A.
www.wellsfargo.com
ALL

Paul Kennedy

Security Features
Protect or Hold

Transit - 04/19/2010

ENCLOSURE NO. 01

FOR DEPOSIT ONLY
CITY OF MELCHER-DALLAS, MISSOURI

DO NOT WRITE, STAMP OR SIGN OVER THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

ISSUED BY: [Illegible]

Security Features
Protect or Hold

Transit - 04/19/2010

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

MATHES CONSTRUCTION LLC 02/04 2186
TIM MATHES OR KAY MATHES
Date 4-17-10 72-218/729 28
Pay to the Order of City of Melcher-Dallas \$ 56
Fifty six dollars Valley Bank
For Tim Mathes
Valley Bank Knoxville Branch 641-642-7298 www.bankofvalley.com

Transit - 04/19/2010

041920105000401001060
FOR DEPOSIT ONLY
CITY OF MELCHER-DALLAS, IOWA
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE
CITY OF MELCHER-DALLAS, IOWA

Transit - 04/19/2010

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

Kash Xpress MONEY ORDER 86-490/1031
1272000425
US Dollars & Cents

LIMITED RECOURSE: This Money Order will not be cashed if it has been forged, altered, or a copy or stolen and in that event recourse shall be had only against the Endorser. This Endorser, the person accepting this Money Order, should accept it only from those persons to whom and against whom they have effective recourse. If the need arises to trace this money order, contact 21, Inc., at (800) 561-5656. There is an administrative service charge on this money order. Charges may vary.

Pay to the Order of: City of Melcher-Dallas \$*****96.16

4/19/2010 ■ Ninety-six Dollars And Sixteen Cents
NOT VALID FOR OVER \$96.16

Payable Through:
BancFirst
Oklahoma City, OK Donna Penderney
PURCHASER SIGNATURE FOR ISSUER

SERVICE CHARGE: If the money order is not used or cashed (restricted for payment) within 90 months of purchase and there will be a non-refundable administrative service charge where permitted by law. The administrative service charge will be deducted from the face value shown on the money order. The administrative service charge shall be a monthly charge equal to 1/2 of the face value shown on the money order for each month permitted by law. If the amount of such (1/2) monthly charge is 0.00, the maximum amount permitted by law. The administrative charge assessed at the end of the six (6) month period shall be applied retroactively to the date of purchase.

MEMO: Acct 1246001

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

Transit - 04/19/2010

ISSB

FOR DEPOSIT ONLY
CITY OF MELCHER-DALLAS, OK

LIMITED RECOURSE: This Check will not be cashed if it has been forged, altered, or a copy or stolen and in that event recourse shall be had only against the Endorser. This means that persons accepting this Check should accept it only from those to whom and against whom they have effective recourse.

DO NOT SIGN/WRITE/STAMP BELOW THIS LINE
FOR FINANCIAL INSTITUTION USE ONLY

Transit - 04/19/2010

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

DEPOSIT
Iowa State Savings Bank
Keosauqua and Melcher-Dallas Iowa • Member FDIC
941.626.8000 • www.issb.com

Checks and other items received for deposit to this account are subject to the rules and regulations of this bank.

DATE 5/24/10
NAME City of Melcher-Dallas

ACCOUNT NUMBER [REDACTED]

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.
PLEASE LIST EACH SEPARATELY BELOW

CURRENCY	379
SILVER	79
CHECKS	176715
LESS CASH	
TOTAL DEPOSIT	214694

DDA Credits - 05/24/2010

ADDITIONAL CHECK LISTING SPACE

CHECKS LIST EACH SEPARATE	DOLLARS	CENTS
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
TOTAL		

IS 073902821 < 05/24/2010 000401000578

FORWARD TO OTHER SIDE

DDA Credits - 05/24/2010

Report on Special Investigation of the
City of Melcher-Dallas

Copies of Selected Deposit Slips

DIRV DIRBGTSOURCE ZX0X1537

City

CASH IN TICKET
TELLER NO. 14

IOWA STATE SAVINGS BANK
KNOXVILLE, IA 50138

\$ *379.79*

801

GLA Debits - 05/24/2010

ISSB:

GLA Debits - 05/24/2010

Appendix 3

Report on Special Investigation of the
City of Melcher-Dallas

Copy of Ms. Ripperger's Timesheet for the Pay Period Ended May 16, 2010

reg 12.53
OT 18.80

TIME SHEET

DATE	Morning		Afternoon		Overtime		Compline		Main't			Water			V/V			Total			NOTES
	IN	OUT	IN	OUT	IN	OUT	IN	OUT	R	O	C	R	O	C	R	O	C	R	O	C	
TH 5-10-10	7:30	—	3:30									6	2					6	2	8	
F 5-11-10	7:30	—	4:30									6	3					6	3	9	
V 5-12-10	7:30	—	3:30									3			3	2	6	2	8		
TH 5-13-10	7:30	9:00	—									1/2	4/2				1/2	4/2	6		
F 5-14-10	7:30	12:00	1:00	3:30											6	2	6	1	7	10	
SAT 5/15/10	Sat -																				32 hrs last pay
SUN 5/16/10	Sun -																				

Patricia Ripperger
 Employer's Signature

Check # _____
 Amount & Date _____
 Clerk's Signature _____
 del 140.39

1 Sho Wats:
 1 Sho WNT: reg 40
 OT 2

From Pay Period 5-12-10 missed
 Earned 4 hrs O.T. @ Time 1/2
 Earned 8 hrs. O.T. @ Time 1/2 -
 Used 4.5 hrs. comp.

Report on Special Investigation of the
City of Melcher-Dallas

Copy of City's Calculation and Verification Journal

PRAPAY00 Thu Jul 1, 2010 2:42 PM ***** CITY OF MELCHER-DALLAS IA ***** OPER: AL PAGE 1
 12.31.09 PAID THROUGH 6/28/2010 CALCULATION & VERIFICATION JOURNAL JRNL 54
 WEEKLY/BIWEEKLY/MONTHLY

EMP NO	NAME	HOURS	RATE	METH	EXTEND	C-CTR	W-CMP	CL	ID	ABRV	DESCRIPTION	AUTO	MESSAGE
-----\													
.1 PATRICIA RIPPERGER													
		195.50	12.5300	H	2449.62	81010			3	ILL	SICK LEAVE PAY		
		12.00	12.5300	H	150.36	81010			3	PERS	PERSONAL LEAVE		
		183.00	12.5300	H	2292.99	81010			3	VAC	VACATION		
		25.50	12.5300	H	319.52	81010			3	CMP1	OTHER COMP PAY1		

-----\ YOU HAVE ENTERED MORE
 -----> VACATION HOURS THAN THE
 -----/ EMPLOYEE HAS AVAILABLE!

	GROSS PAY	DEDS	FED TAX	SS TAX	MED TAX	STATE TAX	EIC PAY	NET PAY	HOURS	OT	HRS	MTX	MCK
PAY TOTAL	5212.49	.00	1420.90	323.17	75.58	308.00	.00	3084.84	416.00		.00	N	N
-----\													
TOTALS	5212.49	.00	1420.90	323.17	75.58	308.00	.00	3084.84	416.00		.00		

FED TAXABLE EARNINGS 5212.49
 SS TAXABLE EARNINGS 5212.49
 MED TAXABLE EARNINGS 5212.49
 STATE TAXABLE EARNINGS 5212.49
 LOCAL TAXABLE EARNINGS 5212.49

TOT EMPLOYEES PROCESSED 1 FEMALE EMPLOYEES 0

-----\ WARNINGS ON JOURNAL!
 -----> 001 WARNINGS
 -----/ CHECK BEFORE CONTINUING!

ID	DEDUCTION DESC	DED AMT	BEN AMT
----	-----	-----	-----