



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact: Mary Mosiman
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE August 1, 2013

Auditor of State Mary Mosiman today released a report on a special investigation of the City of Grand River for the period July 1, 2004 through March 7, 2012. The special investigation was requested by City officials as a result of alleged misappropriation of City funds and concerns regarding the job performance of the former City Clerk, Doris Loy.

Mosiman reported the special investigation identified \$27,150.93 of improper and unsupported disbursements. The \$10,724.84 of improper disbursements identified includes:

- \$8,229.28 of improper payments to vendors,
- \$1,149.37 of improper reimbursements to Ms. Loy,
- \$884.35 of late fees and penalties paid to IPERS and the IRS and
- \$461.84 of improper payroll paid to Ms. Loy, including \$57.73 paid for FICA and IPERS as a result of the improper payroll.

The \$16,426.09 of unsupported disbursements identified includes \$15,208.95 of payments to vendors and \$1,217.14 of payments to Ms. Loy. Mosiman also 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 receipts and disbursements were not available.

In addition, Mosiman reported the City incurred costs totaling \$2,530.00 for work performed by a local Certified Public Accountant (CPA) as a direct result of Ms. Loy's job performance. Specifically, the CPA was hired to prepare and file state quarterly payroll reports, federal 941 reports and state unemployment reports. Had Ms. Loy adequately performed her job duties, these costs would not have been incurred by the City.

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, all disbursements should be approved by the City Council.

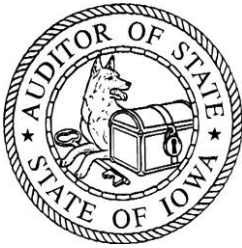
Copies of the report have been filed with the Division of Criminal Investigation, the Decatur County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/1222-0249-BE00.pdf>.

###

**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF GRAND RIVER
FOR THE PERIOD
JULY 1, 2004 THROUGH MARCH 7, 2012**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5-7
Detailed Findings	7-13
Recommended Control Procedures	13-16
Exhibits:	
Summary of Findings	<u>Exhibit</u> A 19
Improper and Unsupported Vendor Payments	B 20-33
Reimbursements to Doris Loy	C 34-35
Staff	36



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

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 Grand River. We have applied certain tests and procedures to selected financial transactions of the City for the period July 1, 2004 through March 7, 2012. Based on a review of relevant information and discussions with City officials and personnel, 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 City's checking accounts to identify any unusual activity.
- (3) Scanned images of redeemed checks issued from the City's checking accounts for reasonableness. We examined certain disbursements to determine if they were appropriate, properly approved and supported by adequate documentation.
- (4) Confirmed payments made by the City to various vendors and obtained supporting documentation for certain disbursements to determine if they were appropriate.
- (5) Examined certain deposits to the City's checking accounts to determine the source, purpose and propriety of each deposit and to determine deposits were made intact.
- (6) Reviewed payroll disbursements and other payments to Doris Loy, the former City Clerk, to determine the propriety of the payments, if the appropriate number of payroll disbursements were made and if the amounts were appropriate.
- (7) Reviewed all remittances to the Internal Revenue Service and IPERS to determine if the amounts were appropriate and payments were made in a timely manner.
- (8) Examined agreements with surrounding townships for fire protection to determine if recorded collections were properly accounted for and deposited.
- (9) Confirmed payments to the City by the State of Iowa and Decatur County to determine whether they were properly deposited to the City's checking accounts in a timely manner.
- (10) Reviewed reports prepared by Ms. Loy to determine if financial information was accurately reported to the City Council.
- (11) Reviewed available minutes to identify significant actions taken by the City Council and to determine if certain payments were properly approved.

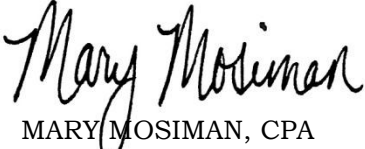
These procedures identified \$27,150.93 of improper and unsupported disbursements. We were unable to determine if additional amounts were improperly disbursed or if any collections were not properly deposited because adequate records for receipts and disbursements were not available. Several internal 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 Grand River, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Decatur County Attorney's Office 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 Grand River during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 10, 2013

City of Grand River
Investigative Summary

Background Information

The City of Grand River is located in Decatur County and has a population of approximately 230 according to the 2010 census. The City operates City Hall, the Fire Department and the Community Center. Doris Loy became the City Clerk on July 1, 2004. As the City Clerk, Ms. Loy was responsible for the following functions:

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

In addition to the City Clerk, the City employs 2 other individuals, a part-time Sewer Clerk and a part-time Sewer Lagoon Maintenance Worker. The Sewer Clerk is responsible for preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and preparing and making bank deposits. The City charges a flat rate of \$17.00 per month for sewer service.

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 Decatur County and remitted to the City. Revenue is also received from surrounding townships for fire protection and from customers for sewer service. The City receives payments from the State electronically. All other payments are collected through the mail, in person or in the collection box at City Hall. The collection box was previously located at the Fire Department. Neither Ms. Loy nor the Sewer Clerk prepared receipts for all collections or recorded the collections on an initial receipts listing.

All City disbursements, including payroll, are to be made by check. All disbursements are to be supported by invoices or other support obtained by or submitted to the City Clerk. Each month, the City Clerk is to prepare a listing of bills and provide the listing to the City Council for approval. However, based on a review of available meeting minutes, Ms. Loy did not provide a formal disbursement listing to the City Council. Rather, she provided a monthly financial report which included a partial listing of disbursements to be approved. The monthly financial reports never included disbursements to be paid from the sewer checking account or payroll disbursements for the Sewer Clerk and Sewer Lagoon Maintenance Worker. After the City Council approved the bills, the City Clerk was to prepare and sign the checks. The checks were to be counter-signed by the Mayor. Prior to January 1, 2008, the City Clerk had a signature stamp to apply the Mayor's counter-signature.

The City maintains 2 checking accounts at a bank in Leon, Iowa. Monthly statements for the City's checking accounts were mailed directly to Ms. Loy's personal residence for her to review and perform a bank reconciliation. Currently, the monthly statements are mailed to City Hall. According to the Mayor, neither the monthly statements nor images of redeemed checks were reviewed by the City Council. According to the September 2005 City Council meeting minutes, duplicates of all City records were to be maintained in a locked filing cabinet at the Fire

Department because Ms. Loy and the Sewer Clerk worked from their personal residences. However, this was not done. In addition, according to the Mayor, although City officials routinely asked Ms. Loy to work from the Community Center beginning in September 2011, she continued to work from her personal residence.

According to the Mayor, several concerns were identified regarding Ms. Loy's job performance, including:

- In late 2010, the Fire Chief expressed concern the monthly financial reports did not reflect property tax receipts recorded for the Fire Department.
- An insurance reimbursement which should have been recorded to the Fire Department in the accounting records was recorded in the General Fund.
- The accounting records inaccurately reflected the Fire Department was operating in a deficit. Based on a review of the accounting records, it appears expenditures which were not related to the Fire Department were posted as Fire Department expenditures.
- The Mayor and City Council routinely identified receipts which were not properly recorded.
- City Council meeting minutes were not published in accordance with the requirements of the *Code of Iowa*.
- When a listing of disbursements for approval was provided, the City Council members and the Mayor received the listing at the beginning of the meeting and were not given adequate time to review the disbursements. Ms. Loy often brought a prepared check and requested the Mayor sign the check with little or no supporting documentation.
- In March 2012, the Mayor was contacted by a representative of the City's insurance provider, who stated if payment was not received by noon, the City's insurance coverage would be cancelled. The representative of the insurance provider also told the Mayor his office had attempted to contact Ms. Loy numerous times prior to contacting him.

As a result of these concerns, the City Council terminated Ms. Loy's employment at the March 7, 2012 City Council meeting. Upon her termination, City officials requested Ms. Loy return all City records and equipment maintained at her personal residence to the City. At that time, Ms. Loy refused the City Council's request. As a result, the City Council consulted with the City's attorney regarding what legal action could be taken to recover the City's property.

The City's attorney was to be present when City officials recovered the City's property from Ms. Loy's personal residence. However, on July 4, 2012, Ms. Loy contacted the Mayor and instructed him to retrieve a box of City records she placed in the driveway of her personal residence. According to the Mayor, Ms. Loy stated he needed to retrieve the box immediately. Based on the interim City Clerk's review of the box's contents, the City records returned were the previous City Clerk's records maintained prior to 2004. None of the records returned were from Ms. Loy's period of employment. We reviewed all records held at City Hall and confirmed there was minimal documentation available from Ms. Loy's period of employment.

Subsequent to Ms. Loy's termination, the interim City Clerk was unable to locate any bank reconciliations prepared by Ms. Loy. She also identified a concern related to the City's monthly financial reports. Based on a review of the monthly financial reports presented to the City Council and copies of the monthly financial reports returned to the City by Ms. Loy, the interim City Clerk determined there were discrepancies between the amounts recorded on Ms. Loy's copies of the monthly financial reports and the amounts reported to the City Council on the monthly financial reports. The interim City Clerk also determined Ms. Loy had not filed any of the City's federal tax reports for calendar year 2011.

As a result of the concerns identified, the Mayor requested the Office of Auditor of State review the City's financial transactions. We performed the procedures detailed in the Auditor of State's report for the period July 1, 2004 through March 7, 2012.

Detailed Findings

These procedures identified \$27,150.93 of improper and unsupported disbursements for the period July 1, 2004 through March 7, 2012. The \$10,724.84 of improper disbursements includes:

- \$8,229.28 of improper payments to vendors,
- \$1,149.37 of improper reimbursements to Ms. Loy,
- \$884.35 of late fees and penalties paid to IPERS and the Internal Revenue Service (IRS) and
- \$461.84 of improper payroll paid to Ms. Loy, including \$57.73 paid for FICA and IPERS as a result of the improper payroll.

The unsupported disbursements of \$16,426.09 include \$15,208.95 of payments to vendors and \$1,217.14 of payments to Ms. Loy. It was not possible to determine if additional amounts were improperly disbursed or if any collections were not properly deposited because adequate records for receipts and disbursements were not available. All findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

IMPROPER DISBURSEMENTS

We reviewed all disbursements from the City's checking accounts for the period December 1, 2004 through March 31, 2012. Images of redeemed checks were not available for the period July 1, 2004 through November 30, 2004. In addition, supporting documentation was not available for all disbursements. As a result, we reviewed the payees on the redeemed checks, discussed the disbursements with City officials and reviewed available documentation related to the payments to determine if they were appropriate. In addition, we contacted certain vendors to obtain payment history and copies of receipts and/or invoices. We identified several improper and unsupported disbursements issued by Ms. Loy. The improper and unsupported disbursements identified are explained in detail in the following sections of this report.

Payments to Vendors – We scanned the images of all redeemed checks issued from the City's checking accounts. As a result, we identified 128 checks totaling \$23,438.23 issued by Ms. Loy. Because supporting documentation was only available for 10 of the 128 checks identified, we were unable to readily determine if they were for City operations or were personal in nature. As previously stated, Ms. Loy worked from her personal residence. She was responsible for preparing, signing and distributing all checks, posting the payments to the accounting records and maintaining supporting documentation for each disbursement. In addition, all disbursements were to be approved by the City Council.

During her employment with the City, Ms. Loy was also the City Clerk for 2 other cities. Because we did not review the accounting records of the other 2 cities, we were unable to determine if the supplies purchased by the City were used solely for the City or if the cost of the supplies should have been allocated among several cities. For example, we identified a significant amount of ink and paper purchases.

We identified office supplies purchases from 2 primary vendors, Quill Corporation (Quill) and Solutions, during the period July 1, 2004 through March 8, 2012. We compared the purchases from the 2 vendors and determined the quantity and frequency certain supplies were purchased. Specifically, we identified the following:

- 79 reams of paper. Through fiscal year 2010, Ms. Loy purchased 10 to 20 reams of paper each year. However, in fiscal years 2011 and 2012, Ms. Loy only purchased 1 ream of paper each year,
- 64 cartridges/packages of ink from Quill or Solutions. Ink was also received from Office Machines as part of the service agreement on the Minolta copier, through the City's Dell Preferred account and at Wal-Mart,
- 23 packages of preprinted forms,
- 20 packages of envelopes,
- 12 items categorized as miscellaneous computer supplies, such as rewritable disks, a laptop sleeve and various computer accessories,
- 11 software packages,
- 8 flash drives, 4 of which were purchased in fiscal year 2011,
- 3 printer/fax machines and
- 73 items categorized as miscellaneous office supplies, such as pens, labels and notepads.

We discussed certain disbursements with the Mayor and the interim City Clerk. In addition, we requested payment histories and copies of receipts and/or invoices from certain vendors. Based on our review of the vendor, the amount and frequency of checks to the vendor, available supporting documentation and discussion with City personnel, we classified the payments as reasonable, improper or unsupported. The improper and unsupported disbursements identified are listed in **Exhibit B**.

The \$8,229.28 of improper disbursements identified were for items which were personal in nature, had no legitimate City business purpose or were for the purchase of City property which was not returned to the City by Ms. Loy. Because Ms. Loy worked from her personal residence, we consider items such as toilet paper, paper towels and cleaning supplies as improper. In addition, we identified several items purchased by Ms. Loy which were not returned to the City upon her termination, such as a walnut desk sign, rewritable disks, a fax machine, a multi-function printer, a label maker, 8 flash drives, a computer briefcase, a 17-inch laptop sleeve and an 8-port internet router.

Of the 64 cartridges/packages of ink purchased, we identified \$814.75 for the purchase of ink for a Lexmark printer. However, according to City officials, the City never owned a Lexmark printer. As a result, we consider the purchases to be improper disbursements. In addition, the City issued 6 payments totaling \$3,650.00 for the codification of the City's Code of Ordinances. However, Ms. Loy did not return the City Ordinance books to the City upon her termination.

We also identified 6 payments to Office Machines. Based on supporting documentation obtained from the vendor, we determined the payments were for an annual service agreement on a Minolta copy machine. The serial number on the service agreement for the first payment identified in January 2005 matched the serial number of the copy machine owned by the City. However, the serial number on the service agreements for the remaining 5 payments did not match the serial number of the copy machine owned by the City. A representative of Office Machines was unable to explain the change in serial numbers. As a result, the 5 payments totaling \$1,063.54 are considered improper. In addition, because sufficient supporting documentation was not available from the City, the January 2005 payment totaling \$174.24 is considered unsupported.

The \$15,208.95 of unsupported disbursements identified was for items for which we were unable to determine whether the purchase was personal in nature or was for City operations because sufficient supporting documentation was not available. Although we were able to obtain a copy of the invoice from the vendor for certain disbursements, we consider the disbursements to be unsupported because sufficient supporting documentation was not maintained by the City. The

unsupported disbursements identified include payments to Solutions, Quill, Plaza Furniture, Dell Preferred Account, Southern Iowa Wholesale and Deluxe Business Checks. Items purchased include 3 laptops, various computer software packages and accessories, printer ink, multiple boxes of checks, a desk and 3 filing cabinets.

The \$8,229.28 of improper disbursements and \$15,208.95 of unsupported disbursements are included in **Exhibit A**.

Salary and Reimbursements to Doris Loy – As previously stated, Ms. Loy became the City Clerk on July 1, 2004. According to the City Council meeting minutes, Ms. Loy was to receive a monthly salary, which would result in 12 payments to Ms. Loy each year. However, we were unable to locate supporting documentation for the gross monthly salary Ms. Loy was to receive.

City officials were unable to locate payroll journals for the period of our investigation. In addition, we were unable to locate all the federal W-2 forms. Based on available City Council meeting minutes, we determined Ms. Loy received a \$35 per month gross salary increase effective October 2005, a 5% salary increase effective July 1, 2006 and a 5% salary increase effective July 1, 2008. However, we also identified a 2% salary increase effective January 2011 for which we could not locate City Council approval. Based on discussion with the Mayor, he confirmed the City was unaware of the salary increase received by Ms. Loy beginning in January 2011. **Table 1** summarizes Ms. Loy’s authorized net pay and actual net pay by fiscal year for the period July 1, 2004 through March 8, 2012. Because supporting documentation was not available, we assumed Ms. Loy’s starting net pay was correct.

Table 1

Fiscal Year	Number of Checks	Actual Amount	Authorized Amount	Variance
2005*	7	\$ 1,888.68	1,888.68	-
2006	12	3,455.96	3,455.96	-
2007	12	3,709.68	3,709.68	-
2008	12	3,702.39	3,702.39	-
2009	12	3,879.05	3,879.05	-
2010	12	3,814.92	3,814.92	-
2011	13	4,168.55	3,805.80	362.75
2012^	9	2,895.71	2,854.35	41.36
Total	89	\$ 27,514.94	27,110.83	404.11

* - Check images prior to December 1, 2004 were not available.

^ - Through March 2012.

As illustrated by the **Table**, we identified \$404.11 of improper payroll to Ms. Loy, which is comprised of an additional payroll check totaling \$317.15 issued to Ms. Loy in December 2010 and \$86.96 from the unauthorized salary increase in January 2011. In addition, we determined \$57.73 for the employer’s share of FICA and IPERS was remitted for the improper payroll. The \$404.11 of improper payroll and the \$57.73 for the employer’s share of FICA and IPERS for the improper payroll is included in **Exhibit A** as improper disbursements.

According to a City official, it would be reasonable for Ms. Loy to also receive reimbursements for mileage, training and internet service at her personal residence. We identified 53 reimbursement checks issued to Ms. Loy during the period December 1, 2004 through March 8, 2012. The 53 checks range in amount from \$5.44 to \$257.87 and are listed in **Exhibit C**.

As previously stated, Ms. Loy worked from her personal residence and was responsible for preparing, signing and distributing all checks, posting the payments to the accounting records and maintaining supporting documentation for each disbursement. In addition, all

reimbursements were to be approved by the City Council. During her employment with the City, Ms. Loy was also the City Clerk for 2 other cities. Because we did not review the accounting records of the other 2 cities, we were unable to determine if the checks issued to Ms. Loy by the City are a result of work she did only for the City or if the costs should have been allocated among several cities. For example, according to the Mayor, the City Council approved reimbursing Ms. Loy \$20.00 each month for the monthly internet bill for her personal residence. However, the City Council did not require Ms. Loy to provide a copy of the monthly internet bill as supporting documentation. In addition, it is not known whether Ms. Loy also received duplicate reimbursements from the other 2 cities which employed her.

We located supporting documentation for 5 of the 53 reimbursements Ms. Loy issued to herself. For 4 of the 5 reimbursements, Ms. Loy provided handwritten notes stating the disbursements were for mileage to various meetings in Ames, Des Moines and Ottumwa. However, there was not sufficient explanation of the purpose for the trip. Supporting documentation for the remaining reimbursement was comprised of Ms. Loy's personal credit card statement indicating a payment for training registration. However, neither an invoice/receipt nor proof of attendance was attached. None of the 5 reimbursements were approved by the City Council. Because the supporting documentation was not sufficient and the City Council did not approve the reimbursements, the 5 reimbursements are considered to be unsupported disbursements.

Supporting documentation could not be located for the 48 remaining checks. We reviewed the available City Council minutes to determine if the City Council approved the remaining 48 reimbursement checks. As previously stated, a formal disbursement listing was not prepared. Rather, a partial listing of disbursements to be approved was included with the monthly financial reports. Based on a review of the monthly financial reports, 38 of the 48 reimbursements were approved by the City Council. In addition, for 3 \$40.00 reimbursements we identified, \$20.00 was approved by the City Council and \$20.00 was not approved.

Of the 38 reimbursements approved by the City Council, 35 were for internet service at Ms. Loy's personal residence for the 36 months between September 2008 and August 2011. As previously stated, no supporting documentation was maintained for these reimbursements. As a result, 32 of the 35 reimbursements totaling \$660.00 are considered to be unsupported disbursements. In addition, as previously stated, beginning in September 2011, the City Council routinely requested Ms. Loy work from the Community Center. However, she did not comply with the City Council's requests and continued to work from her personal residence. Because the City had a facility with internet access from which Ms. Loy was to work beginning in September 2011, we consider the remaining 3 reimbursements for internet service at her personal residence for September 2011 through November 2011 totaling \$60.00 to be improper disbursements. Because the City Council only approved \$20.00 per month for Ms. Loy's personal internet service, \$20.00 of each of the 3 \$40.00 reimbursements identified is also considered improper and \$20.00 of each reimbursement is considered unsupported.

According to the description Ms. Loy provided on the monthly financial report, a reimbursement issued on March 3, 2005 for \$205.00 was for the purchase of accounting software for the City. However, the software was installed on Ms. Loy's personal computer and neither the program nor the electronic data recorded in the program were recovered by the City after Ms. Loy's termination. As a result, the \$205.00 reimbursement is considered improper. Although the remaining 2 reimbursements were included on the monthly financial reports for City Council approval, we were unable to locate a description or supporting documentation. As a result, they are considered unsupported disbursements.

Because City Council meeting minutes were not maintained for all meetings, we were unable to determine if the remaining 7 reimbursements were approved by the City Council and were reasonable for City operations. We determined 1 of the 7 reimbursements, issued by Ms. Loy on April 5, 2011 for \$20.00, was a duplicate reimbursement for internet service at her personal residence. Because she had already received reimbursement for the month of April 2011, we consider this to be an improper disbursement. For the remaining 6 reimbursements, there

was no supporting documentation, description or City Council approval. As a result, the 6 reimbursements totaling \$804.37 are classified as improper disbursements.

Table 2 summarizes the improper and unsupported reimbursements identified. Reimbursements totaling \$1,149.37 and \$1,217.14 are included in **Exhibit A** as improper and unsupported disbursements, respectively.

Description	Improper	Unsupported
Travel	\$ -	458.60
Internet service	140.00	720.00
Supplies	205.00	-
Unknown	804.37	38.54
Total	\$ 1,149.37	1,217.14

^ - Although no supporting documentation or description could be located, the reimbursements were approved by the City Council. As a result, they are considered unsupported rather than improper.

IPERS Late Fees and Interest – We contacted a representative of IPERS and obtained reports summarizing the payments remitted for the City for calendar years 2005 through 2012. We traced the payment amounts to redeemed checks in the City’s checking account and reviewed the amounts to determine if the amount remitted was appropriate. As a result, we identified 13 payments which included late fees and interest because Ms. Loy did not remit the payments in a timely manner. **Table 3** summarizes the late fees and interest incurred by the City.

Description	Amount
Late fees	\$ 362.40
Interest	257.68
Total	\$ 620.08

The \$620.08 of late fees and interest are included in **Exhibit A** as improper disbursements.

FICA Late Fees and Interest – We obtained account transcripts from the IRS for payroll taxes the City paid for calendar years 2005 through 2012. We traced the payment amounts listed in the transcripts to redeemed checks from the City’s checking account and reviewed the amounts to determine if the amount remitted was appropriate. As a result, we identified 4 payments which included late fees and interest because Ms. Loy did not remit the payments in a timely manner. According to the interim City Clerk, City officials contacted the IRS regarding the late fees and interest incurred and explained the circumstances surrounding the untimely payments. As a result, the IRS agreed to refund a portion of the late fees and interest remitted by the City. **Table 4** summarizes the late fees and interest incurred by the City, as well as the amount refunded to the City by the IRS.

Description	Amount
Late fees and interest	\$ 495.36
Refunds	(231.09)
Total	\$ 264.27

The \$264.27 of net late fees and interest are included in **Exhibit A** as improper disbursements.

Professional Fees – We identified 8 payments totaling \$2,530.00 issued to a local Certified Public Accountant (CPA) subsequent to Ms. Loy’s termination. Based on discussions with City officials, the City’s attorney and the CPA, we determined the work performed for the City was a direct result of Ms. Loy’s job performance. Specifically, the CPA was hired to prepare and file state quarterly payroll reports, federal 941 reports and state unemployment reports and assist the interim City Clerk with bank reconciliations. Had Ms. Loy adequately performed her job duties, these costs would not have been incurred by the City.

COLLECTIONS

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

Taxes from the State of Iowa – 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 and determined they were properly deposited to the City’s General Fund checking account.

Taxes from Decatur County – We confirmed all payments to the City by Decatur County were properly deposited to the City’s General Fund checking account.

Sewer Fees – Sewer service is provided to each household and business within the City. Each household and business is billed each month for service. Monthly reconciliations of the amounts billed, collected, deposited and delinquent amounts are not prepared. However, as previously stated, the Sewer Clerk has primary responsibility for billing, collecting, assessing penalties and depositing utility payments. Because there is no segregation of duties and utility reconciliations are not prepared, we could not test the completeness of sewer deposits.

OTHER ADMINISTRATIVE ISSUES

During our investigation, we determined Ms. Loy and the City Council did not properly carry out their fiduciary responsibilities as an employee and officials of the City. The concerns identified include:

- As previously stated, prior to Ms. Loy’s termination, the City Council was concerned the accounting records did not accurately reflect the financial activity of the City. Specifically, it appeared expenditures were recorded to the Fire Department which should not have been. Also as previously stated, the interim City Clerk identified 2 sets of monthly financial reports when organizing City records. She compared the copies of the monthly financial reports returned by Ms. Loy to copies she obtained from a City Council member from the City Council meeting packet. Based on that comparison, it appeared the monthly financial reports presented to the City Council differed from the monthly financial reports maintained by Ms. Loy.

In addition, the interim City Clerk identified a disbursement which was posted to a “Cemetery” sub-account although the City does not operate a cemetery. The interim City Clerk also requested Ms. Loy return all supporting documentation, including any electronic records she maintained for the City. However, according to the interim City Clerk, Ms. Loy stated she had returned all City records and had purged all electronic records from her computer.

We reviewed both copies of the monthly financial reports for January 2010 through March 2010 and August 2010 through October 2010. As a result, we confirmed certain expenditures recorded to the Fire Department should not have been. According to the interim City Clerk, the total amount incorrectly recorded has been identified and the City intends to transfer funds to the Fire Department over a period of time. We also

confirmed a disbursement was recorded to a "Cemetery" sub-account. According to the current City Clerk, this sub-account is no longer used.

In addition, we confirmed there were discrepancies between the amounts reported to the City Council and the amounts included on Ms. Loy's copy of the monthly financial report. Specifically, for 5 of the 6 months tested, the ending fund balances per Ms. Loy's records did not agree with the ending fund balances provided to the City Council. In addition, for 1 of the 6 months tested, we were unable to reconcile the balance reported to the bank balance. Because Ms. Loy did not return all City records, we did not have sufficient supporting documentation available to determine which amounts were proper.

- City Council minutes and related documentation, such as approved bill listings, were not maintained for all months during the period of our investigation. For the minutes located, there was no evidence a bill listing was prepared by the City Clerk and provided to and approved by the City Council for 45 of the 116 meetings reviewed. It was Ms. Loy's responsibility to ensure all disbursements were presented to the City Council for approval and minutes were properly prepared and approved. In addition, Ms. Loy failed to submit the required payroll reports, including IPERS and federal and state payroll tax reports. In addition, Ms. Loy did not return the City Council meeting minutes she maintained to the City upon her termination.
- The City received a refurbished laptop from Alliant Energy in February 2008, but the City is unable to determine where the laptop is currently located.
- We identified 3 additional bank accounts which appear to contain City funds but are separately maintained, including the Fireman's Fund (Fire Department Slush Fund), the City Building Fund and the First Responders. The City Building Fund has been closed. The City Council should consider whether the remaining bank accounts should be maintained by the City.
- We identified 16 purchases from Quill for office supplies which qualified for complimentary items. The City received 26 complimentary items, including a portable CD player, a mini AM/FM radio, various food items, a hands free can opener, various books, a skillet twin pack, a talking pedometer with FM radio and a label maker. However, none of the items are in the City's possession and City officials were not aware the City received these items.
- The City Council is responsible for all City operations, including financial operations. We determined the City Council did not segregate duties, which allowed Ms. Loy to perform all functions related to the cash receipt and disbursement process, except for sewer fee billings and collections. The City Council also failed to conduct appropriate oversight to mitigate the lack of segregation of duties. Based on the concerns the City Council identified with Ms. Loy's job performance, the City Council should have consulted legal counsel earlier regarding its options, including paid administrative leave, unpaid administrative leave or termination of employment.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Grand River to perform bank reconciliations and process receipts, disbursements and payroll. An important aspect of internal control is to establish procedures which 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 – 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:

- (1) Receipts – collecting, depositing and posting.
- (2) Disbursements – making purchases, receiving certain goods and services, presenting disbursements to the City Council for approval, maintaining supporting documentation, preparing, signing and distributing checks and posting payments.
- (3) Payroll – calculating, preparing, signing and distributing checks and posting payments.
- (4) Bank accounts – receiving and reconciling monthly bank statements to accounting records.
- (5) Reporting – preparing City Council meeting minutes and financial reports, including monthly Clerk register reports.

In addition, the Sewer Clerk is solely responsible for utilities, including bill preparation, applying penalty fees, collections, posting, deposit preparation and making deposits.

We also determined the City Clerk used a signature stamp to apply the Mayor's counter-signature prior to January 1, 2008.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the duties within each function listed above should be segregated between the City Clerk, the Sewer Clerk, the Mayor and City Council members. In addition, the Mayor or City Council members should review financial records, perform reconciliations and examine supporting documentation for accounting records on a periodic basis. Should the Mayor choose to utilize a signature stamp in the future, he or she should ensure it is not held in the custody of the City Clerk and the counter-signature is not applied by the City Clerk.

In addition, bank statements should be delivered to an official who does not collect or disburse City funds. The bank statements should be reviewed in a timely manner for unusual activity. Bank reconciliations should be performed monthly and should be reviewed by someone independent of other financial responsibilities.

B. Reconciliation of Utility Billings, Collections and Delinquent Accounts – Sewer billings, collections and delinquent accounts are not reconciled on a periodic basis.

Recommendation – Procedures should be established to ensure utility billings are reconciled to subsequent collections and delinquent accounts for each billing period. The City Council, or other independent person designated by the City Council, should review the reconciliations and monitor delinquent accounts. Delinquent accounts should not be written off without City Council approval.

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

- (1) Disbursements were not supported by invoices or other documentation.
- (2) Disbursements were not properly recorded in the City's disbursement ledger.
- (3) Disbursements were not approved by City Council.
- (4) Disbursements may not have been for City operations. For example, because Ms. Loy worked from her personal residence, supplies purchased could have been personal in nature or not used solely for business of the City.

- (5) The City incurred late fees and interest for IPERS and federal withholding income tax payments which were not remitted in a timely manner.

Recommendation – All City disbursements should be approved by the City Council prior to payment, 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 interest are not incurred.

To strengthen internal control, each check should be prepared and signed by one person and detailed 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 on a regular basis. In addition, for the 6 months tested, discrepancies were identified between the monthly financial reports submitted to the City Council for review and the monthly financial reports maintained by Ms. Loy. There was also a lack of supporting documentation provided to the City Council to determine how the ending fund balances reported on the monthly financial reports were calculated.

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.

- E. City Council Oversight – The City Council has a fiduciary responsibility to provide oversight of the City’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity.

Based on our observations and procedures performed, we identified the City Council failed to exercise proper fiduciary oversight. The lack of appropriate oversight and failure to ensure implementation of adequate internal controls permitted an employee to exercise too much power over the operation of the City. The City Council frequently relied on information from the City Clerk without adequate supporting documentation or information.

Although the City Council identified several concerns with the City Clerk’s job performance, no action was taken.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort by all members. In the future, the City Council should exercise due care and require and review pertinent information and documentation prior to making decisions affecting the City.

In addition, appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance with established policies and procedures.

- F. City Council Minutes – Chapter 21 of the *Code of Iowa* requires minutes to be kept of all meetings of governmental bodies. During our review of minutes, we determined:
- Minutes and the related bill listings could not be located for several City Council meetings.

- Not all minutes available for review were properly signed by the City Clerk or the Mayor to authenticate the record as required by section 380.7(4) of the *Code of Iowa*.
- Not all disbursements were presented to the City Council for approval.
- The authorized salary of the City Clerk was not documented at the time of hire or at the time of subsequent salary increases.

Recommendation – The City should implement procedures to ensure the City Clerk and the Mayor sign all meeting minutes and the minutes are reviewed so any errors can be identified and corrected. In addition, the City Council should ensure all City obligations are presented to the City Council for approval prior to payment.

The City Council should also ensure all minutes, including bill listings to be approved by the City Council, are maintained at City Hall and an official copy is kept in the City Council meeting book.

Exhibits

**Report on Special Investigation
of the
City of Grand River**

Report on Special Investigation of the
City of Grand River

Summary of Findings
For the Period July 1, 2004 through March 7, 2012

Description	Exhibit/Table/ Page Number	Improper	Unsupported	Total
Improper and unsupported disbursements:				
Payments to vendors	Exhibit B	\$ 8,229.28	15,208.95	23,438.23
Salary issued to Doris Loy	Table 1	404.11	-	404.11
FICA and IPERS on the improper salary issued to Doris Loy	Page 9	57.73	-	57.73
Reimbursements to Doris Loy	Table 2/ Exhibit C	1,149.37	1,217.14	2,366.51
IPERS late fees and interest	Table 3	620.08	-	620.08
FICA late fees and interest	Table 4	264.27	-	264.27
Total improper and unsupported disbursements		<u>\$ 10,724.84</u>	<u>16,426.09</u>	<u>27,150.93</u>

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images

Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
10/08/04	1257		Solutions	\$ 45.00
12/01/04	1268		Quill	152.15
12/01/04		6606	Quill	38.18
12/27/04		6622	Dell Preferred Account	90.08
01/04/05	1277		Quill	19.96
01/04/05		6629	Office Machines	174.24
01/04/05		6639	Quill	19.96
04/06/05		6685	Farm & Home Publishers	35.50
04/06/05		6686	Institute of Public Affairs	112.00
05/04/05		6704	Deluxe Business Checks & Solutions	143.31
05/04/05		6706	Dell Preferred Account	102.00
05/04/05		6709	The Exchange	35.10
06/01/05		6722	The Exchange	35.10
06/01/05		6725	University Conference Services	181.00
06/29/05	1304		Iowa Codification Inc	500.00
06/29/05		6732	Iowa Codification Inc	700.00
09/07/05	1324		Quill	51.15
09/07/05		6768	Office Machines	44.00
10/04/05	1327		Solutions	29.99
10/09/05		6790	Dell Preferred Account	106.00
11/01/05	1333		Walmart	8.88
11/01/05		6804	Walmart	10.74

Description per Invoice	Improper	Unsupported
Quickbooks support	\$ -	45.00
<i>Not able to obtain invoice</i>	-	152.15
<i>Not able to obtain invoice</i>	-	38.18
<i>Not able to obtain invoice</i>	-	90.08
<i>Not able to obtain invoice</i>	-	19.96
Annual service agreement renewal on Minolta serial#31806443	-	174.24
<i>Not able to obtain invoice</i>	-	19.96
2005 plat and directory book for Decatur County	35.50	-
University of Iowa, multiple manuals "Iowa Municipal Leaders Handbook"	112.00	-
<i>Not able to obtain invoice</i>	-	143.31
<i>Not able to obtain invoice</i>	-	102.00
Listing for a real estate auction for city owned lots	-	35.10
Listing for a real estate auction for city owned lots	-	35.10
Registration fee for Municipal Clerks Training (07/20/05 - 07/22/05) and an XL sweatshirt	21.00	160.00
New Code of Ordinances (downpayment)	500.00	-
New Code of Ordinances (downpayment)	700.00	-
Push pins, envelopes, white out	-	51.15
Minolta 1031 toner	-	44.00
Printer ink	-	29.99
<i>Not able to obtain invoice</i>	-	106.00
Large address labels	-	8.88
Envelopes	-	10.74

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images				
Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
11/13/05		6806	Billie Miller	315.00
11/14/05	1332		Quill	171.93
11/14/05		6800	Quill	91.06
12/06/05		6819	IIMC^	100.00
12/06/05		6820	Quill	50.38
12/08/05		6836	Office Machines	174.24
01/03/06		6848	Walmart	7.40
03/05/06		6841	Quill	54.04
04/04/06		6893	Quill	54.12
04/04/06		6898	Dell Preferred Account	88.96
04/04/06		6900	The Exchange	32.00
05/27/06		6913	Quill	46.37
06/06/06	1375		Solutions	43.49
06/06/06		6924	Uline	85.71
07/01/06		6940	University Conference Services	181.00
08/01/06	1387		Iowa Codification Inc	500.00
08/01/06		6954	Deluxe Business Checks & Solutions	182.63
08/01/06		6956	Walmart	32.31
08/01/06		6957	Iowa Codification Inc	1,800.00
09/04/06	1392		Solutions	21.19
10/03/06		6978	IIMC^	100.00
10/03/06		6982	Deluxe Business Checks & Solutions	58.16

Description per Invoice	Improper	Unsupported
Reimbursement for paying a vendor for mowing of City property	-	315.00
USB, envelopes, printer ink, hand sanitizer	30.98	140.95
Paper, formatted disks	-	91.06
<i>Not able to obtain invoice</i>	100.00	-
Preprinted tax forms	-	50.38
Annual service agreement renewal on Minolta serial#25HE04889	174.24	-
Miscellaneous cleaning supplies	7.40	-
Printer ink, pretzels, folders, pens	3.98	50.06
Staples, stapler, tape, label maker	9.99	44.13
<i>Not able to obtain invoice</i>	-	88.96
Ad for sale of a road grader	-	32.00
Tape, trash can liners	43.99	2.38
Printer ink, labels, design of flyer and copies	6.00	37.49
<i>Not able to obtain invoice</i>	-	85.71
Registration fee for Municipal Clerks Training (07/19/06 - 07/21/06) and an XL sweatshirt	21.00	160.00
New Code of Ordinances (remaining balance)	500.00	-
<i>Not able to obtain invoice</i>	-	182.63
Paper, envelopes, labels	32.31	-
New Code of Ordinances (remaining balance)	1,800.00	-
Printer ink	-	21.19
<i>Not able to obtain invoice</i>	100.00	-
<i>Not able to obtain invoice</i>	-	58.16

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images

Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
11/01/06		6992	Quill	163.43
12/05/06	1405		Solutions	68.08
12/05/06	1406		Quill	129.57
12/05/06		7008	Quill	65.98
12/11/06		7014	Office Machines	191.46
01/15/07		7034	Billie Miller	270.00
02/06/07	1419		Solutions	31.99
02/06/07		7039	Dell Preferred Account	108.76
02/06/07		7042	Quill	73.26
02/06/07		7043	Walmart	8.71
02/06/07		7045	Solutions	102.50
05/02/07	1431		Solutions	2.85
05/23/07		7082	University Conference Services	181.00
06/06/07		7093	Walmart	2.52
07/04/07	1440		Solutions	34.84
08/08/07	1447		Solutions	29.14
10/02/07		7132	IIMC^	115.00
11/06/07		7148	Deluxe Business Checks & Solutions	143.85
11/06/07		7149	Holiday Inn Airport & Conference Center	160.92
11/27/07		7152	Summit Supply Corporation of Colorado	239.08
12/04/07	1465		Iowa Codification Inc	75.00
12/04/07		7156	Office Machines	210.83
12/04/07		7161	Iowa Codification Inc	75.00

Description per Invoice	Improper	Unsupported
Paper towels, preprinted tax forms, envelopes, index tabs, printer ink	39.99	123.44
Envelopes, printer ink	31.99	36.09
Envelopes, printer ink	-	129.57
Tax software, desk sign	65.98	-
Annual service agreement renewal on Minolta serial#25HE04889	191.46	-
<i>Not able to obtain invoice</i>	-	270.00
Printer ink	31.99	-
<i>Not able to obtain invoice</i>	-	108.76
Floor mat, tape, paper, preprinted tax forms	43.99	29.27
Dust cleaner and toilet paper	-	8.71
Repair service	-	102.50
Stamp pad refill	-	2.85
Registration fee for Municipal Clerks Training (07/25/07 - 07/27/07) and an XL sweatshirt	21.00	160.00
Clorox wipes	-	2.52
Printer ink	34.84	-
Printer ink	29.14	-
<i>Not able to obtain invoice</i>	115.00	-
<i>Not able to obtain invoice</i>	-	143.85
<i>Not able to obtain invoice</i>	-	160.92
Various swing set supplies	-	239.08
Preparation of 2 sets of Code of Ordinances	75.00	-
Annual service agreement renewal on Minolta serial#25HE04889	210.83	-
Preparation of 2 sets of Code of Ordinances	75.00	-

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images					
Date	Check Number		Payee		Amount
	Sewer Account	Operating Account			
01/01/08	1473		Quill		107.08
01/01/08		7177	Quill		158.69
02/05/08	1482		Solutions		39.61
02/05/08		7194	Solutions		123.99
02/05/08		7197	The Exchange		19.00
02/06/08		7208	Walmart		37.15
03/03/08		7211	Walmart		21.89
03/04/08		7218	Dell Preferred Account		108.76
04/02/08	1489		Solutions		31.99
04/02/08		7231	Solutions		108.00
04/02/08		7237	Walmart		31.50
04/02/08		7241	Institute of Public Affairs		25.00
05/07/08		7250	Solutions		969.98
05/07/08		7255	Institute of Public Affairs		5.00
06/03/08	1503		Quill		251.15
06/03/08		7266	Walmart		52.90
06/03/08		7273	Quill		123.26
07/01/08		7285	Solutions		22.99
08/05/08		7299	Dell Preferred Account		118.32
08/05/08		7302	Walmart		20.10
08/05/08		7303	Galls		488.46
11/05/08	1531		Solutions		65.98
11/05/08		7339	Dell Preferred Account		109.18

Description per Invoice	Improper	Unsupported
Envelopes	-	107.08
Envelopes, tax software, preprinted tax forms, printer ink	39.59	119.10
Printer ink, paper	31.99	7.62
Internet port switch, repair service	28.99	95.00
Ad for bids for debris removal at City park	-	19.00
Explorer 360 (bluetooth headset)	-	37.15
Nylon CD wallet	-	21.89
<i>Not able to obtain invoice</i>	-	108.76
Printer ink	31.99	-
Vinyl decals for Fire Department trucks	-	108.00
Mini USB keyboard	-	31.50
University of Iowa, manual "Iowa Municipal Leaders Handbook"	25.00	-
Laptop, warranty, USB drive, computer case	61.98	908.00
Shipping for "Iowa Municipal Leaders Handbook"	-	5.00
Envelopes, paper, correction tape, tape	-	251.15
Truck bed liners	52.90	-
Blu ray rewritable disks, printer ink, envelopes, rewritable CDs	50.01	73.25
Printer ink	-	22.99
<i>Not able to obtain invoice</i>	-	118.32
Paper	20.10	-
<i>Not able to obtain invoice</i>	-	488.46
Printer ink	65.98	-
<i>Not able to obtain invoice</i>	-	109.18

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images

Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
11/05/08		7344	IIMC^	115.00
11/30/08		7365	Office Machines	231.91
01/04/09	1547		Solutions	31.99
01/04/09	1548		Deluxe Business Checks & Solutions	299.28
01/04/09		7375	Deluxe Business Checks & Solutions	299.28
02/05/09	1551		Solutions	33.99
03/04/09		7411	Bob's Custom Trophies	143.00
04/01/09		7423	Quill	56.18
06/03/09		7447	Farm & Home Publishers	37.00
07/05/09	1571		Solutions	58.98
07/06/09		7461	Dell Preferred Account	174.98
08/04/09		7469	Iowa Codification Inc	175.00
09/01/09	1578		Solutions	124.47
10/07/09	1584		Solutions	71.98
10/07/09		7483	Bob's Custom Trophies	75.60
10/07/09		7484	Southern Iowa Wholesale	1,150.00
11/04/09	1593		Solutions	14.99
12/01/09		7505	Quill	82.63
12/13/09		7514	Office Machines	255.10
02/02/10	1606		Solutions	33.99
02/02/10	1607		Quill	206.46
03/03/10		7545	Solutions	8.49
04/02/10		7561	Dell Preferred Account	165.93

Description per Invoice	Improper	Unsupported
<i>Not able to obtain invoice</i>	115.00	-
Annual service agreement renewal on Minolta serial#25HE04889	231.91	-
Printer ink	31.99	-
<i>Not able to obtain invoice</i>	-	299.28
<i>Not able to obtain invoice</i>	-	299.28
Printer ink	33.99	-
Appreciation plaques - Community Center	-	143.00
Paper, notepads, folders	-	56.18
2008 plat and directory for Union County	37.00	-
Printer ink	58.98	-
<i>Not able to obtain invoice</i>	-	174.98
Preparation of March 2009 supplement (Ordinance #205)	175.00	-
Printer ink, hard drive replacement	33.99	90.48
Printer ink	71.98	-
Retirement plaques	-	75.60
Pick up truck with plow	-	1,150.00
Labels	14.99	-
Tax software, heavy duty stapler, preprinted tax forms, folder, Brother fax machine, staples	82.63	-
Annual service agreement renewal on Minolta serial#25HE04889	255.10	-
Printer ink	33.99	-
Envelopes, CDs, printer ink	29.99	176.47
Envelopes	-	8.49
<i>Not able to obtain invoice</i>	-	165.93

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images

Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
04/02/10		7564	IIMC^	125.00
05/05/10	1618		Walmart	83.98
05/05/10	1620		Solutions	35.99
05/05/10		7576	Solutions	23.99
05/05/10		7582	Walmart	30.17
05/05/10		7583	Quill	74.99
06/01/10		7592	Walmart	47.71
10/05/10	1645		Solutions	35.99
10/05/10		7631	IIMC^	135.00
11/03/10		7650	Quill	195.53
11/04/10	1651		Solutions	119.97
12/02/10	1657		Solutions	385.05
04/04/11	1671		Solutions	107.97
04/04/11		7703	Solutions	269.98
04/04/11		7706	Walmart	60.00
07/02/11	1685		Solutions	37.99
08/02/11	1688		Solutions	434.98
08/16/11		7752	Solutions	1,471.96
08/16/11		7754	Plaza Furniture	2,054.90
08/22/11		7755	Solutions	231.91
09/07/11		7760	Quill	371.57

Description per Invoice	Improper	Unsupported
<i>Not able to obtain invoice</i>	125.00	-
Sanyo VPCS 1275 digital camera	83.98	-
Printer ink	35.99	-
Printer ink	-	23.99
Paper, key identification caps	-	30.17
Brother printer	74.99	-
PNY 2GB SD card	47.71	-
Printer ink	35.99	-
<i>Not able to obtain invoice</i>	135.00	-
Envelopes, preprinted tax forms, tax software	45.36	150.17
Printer ink, envelopes	79.98	39.99
USB drive, freight, Norton antivirus, Quickbooks, repairs	-	385.05
Printer ink	107.97	-
Power adapter, hard drive, USB drives	95.98	174.00
Kaspersky IS 2011 - antivirus program	60.00	-
Printer ink	37.99	-
Mouse, laptop case, laptop	15.99	418.99
Printer ink, laptop, office software, USB flash drive, software install, gift certificate for interim City Clerk	223.98	1,247.98
Furniture for City Hall room of Community Center - 1 wooden desk, 3 wooden locking cabinets	-	2,054.90
USB cable, printer ink, Norton antivirus	-	231.91
Paper, printer ink, toner	-	371.57

Report on Special Investigation of the
City of Grand River

Improper and Unsupported Vendor Payments
For the Period July 1, 2004 through March 7, 2012

Per Check Images				
Date	Check Number		Payee	Amount
	Sewer Account	Operating Account		
09/07/11		7767	Solutions	226.00
10/04/11	1698		Solutions	64.67
10/04/11		7769	Dell Preferred Account	165.93
11/01/11		7785	IIMC^	135.00
12/04/11	1708		Solutions	50.87
01/03/12		7822	Quill	27.42
01/05/12		7829	Uline	82.00
01/28/12		7830	Quill	43.84
03/04/12	1722		Solutions	113.56
Total				\$23,438.23

^ - IIMC is the International Institute of Municipal Clerks.

* - This is the portion of the total bill paid by the City. The remaining portion of the total bill was paid from other sources.

Description per Invoice	Improper	Unsupported
Printer ink	-	226.00
Calculator, legal pads, paper clips, files, folders, Post-It notes, paper, pens, ruler, stapler, staples	24.88	39.79
<i>Not able to obtain invoice</i>	-	165.93
<i>Not able to obtain invoice</i>	135.00	-
Envelopes, rubber bands, staples	4.99	45.88
Preprinted tax forms	-	27.42
55 gallon clear trash liners	-	82.00
Tax software	43.84	-
Printer ink, paper	34.99	78.57
	<u>\$8,229.28</u>	<u>15,208.95</u>

Report on Special Investigation of the
City of Grand RiverReimbursements to Doris Loy
For the Period July 1, 2004 through March 7, 2012

Per Check Image						
Check						
Date	Number	Payee	Amount	Improper	Unsupported	
12/01/04	6598	Doris A. Loy	\$ 27.36	27.36	-	
02/01/05	6644	Doris A. Loy	5.44	5.44	-	
03/03/05	6668	Doris A. Loy	205.00 *	205.00	-	
07/06/05	6735	Doris A. Loy	70.47 #	-	70.47	
07/06/05	6734	Doris A. Loy	150.00	150.00	-	
08/02/05	6752	Doris A. Loy	105.75 #	-	105.75	
10/04/05	6777	Doris A. Loy	257.87	257.87	-	
12/06/05	6814	Doris A. Loy	42.36 #	-	42.36	
04/04/06	6888	Doris A. Loy	80.02 #	-	80.02	
05/02/06	6909	Doris Loy	203.70	203.70	-	
08/01/06	6955	Doris Loy	160.00 #	-	160.00	
09/05/07	7127	Doris A. Loy	160.00	160.00	-	
02/05/08	7195	Doris Loy	8.54 *	-	8.54	
10/01/08	7321	Doris A. Loy	40.00 *	-	40.00	
11/05/08	7337	Doris A. Loy	40.00 ^	20.00	20.00	
11/30/08	7354	Doris A. Loy	40.00 ^	20.00	20.00	
01/04/09	7373	Doris A. Loy	40.00 ^	20.00	20.00	
02/05/09	7392	Doris Loy	20.00 *	-	20.00	
03/04/09	7402	Doris Loy	20.00 *	-	20.00	
04/01/09	7415	Doris Loy	20.00 *	-	20.00	
05/06/09	7426	Doris Loy	20.00 *	-	20.00	
06/03/09	7439	Doris Loy	20.00 *	-	20.00	
07/01/09	7454	Doris Loy	20.00 *	-	20.00	
08/04/09	7463	Doris Loy	20.00 *	-	20.00	
09/01/09	7474	Doris Loy	20.00 *	-	20.00	
10/07/09	7480	Doris Loy	20.00 *	-	20.00	
11/04/09	7494	Doris Loy	20.00 *	-	20.00	
11/28/09	7501	Doris Loy	20.00 *	-	20.00	
11/28/09	7502	Doris Loy	30.00 *	-	30.00	
01/05/10	7526	Doris Loy	20.00 *	-	20.00	

Report on Special Investigation of the
City of Grand River

Reimbursements to Doris Loy
For the Period July 1, 2004 through March 7, 2012

Per Check Image						
Check						
Date	Number	Payee	Amount		Improper	Unsupported
02/02/10	7537	Doris Loy	20.00	*	-	20.00
03/03/10	7552	Doris Loy	20.00	*	-	20.00
04/02/10	7557	Doris Loy	20.00	*	-	20.00
05/05/10	7578	Doris Loy	20.00	*	-	20.00
06/01/10	7589	Doris Loy	20.00	*	-	20.00
07/07/10	7600	Doris Loy	20.00	*	-	20.00
08/03/10	7614	Doris Loy	20.00	*	-	20.00
08/31/10	7620	Doris Loy	20.00	*	-	20.00
10/05/10	7633	Doris Loy	20.00	*	-	20.00
11/03/10	7637	Doris Loy	20.00	*	-	20.00
11/30/10	7646	Doris Loy	20.00	*	-	20.00
01/04/11	7670	Doris Loy	20.00	*	-	20.00
01/29/11	7675	Doris Loy	20.00	*	-	20.00
03/01/11	7687	Doris Loy	20.00	*	-	20.00
04/05/11	7694	Doris Loy	20.00	*	-	20.00
04/05/11	7695	Doris Loy	20.00		20.00	-
05/03/11	7712	Doris Loy	20.00	*	-	20.00
05/31/11	7719	Doris Loy	20.00	*	-	20.00
07/02/11	7731	Doris Loy	20.00	*	-	20.00
08/02/11	7741	Doris Loy	20.00	*	-	20.00
09/07/11	7758	Doris Loy	20.00	*	20.00	-
10/04/11	7776	Doris Loy	20.00	*	20.00	-
11/01/11	7781	Doris Loy	20.00	*	20.00	-
Total			<u>\$ 2,366.51</u>		<u>1,149.37</u>	<u>1,217.14</u>

* - Approved by the City Council.

- Supporting documentation was available, but it was not sufficient to allow a determination of propriety.


^ - The internet reimbursement was approved for \$20.00 per month.

Report on Special Investigation of the
City of Grand River

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Manager
Ryan T. Jelsma, Staff Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State