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NEWS RELEASE

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FOR RELEASE _____ March 3, 2016 _____

Auditor of State Mary Mosiman today released a report on a special investigation of the City of Harris for the period July 1, 2011 through September 30, 2014. 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, Robin Baumgarn. Ms. Baumgarn had been the City Clerk from July 12, 2011 to July 31, 2014.

Mosiman reported the special investigation identified \$12,758.16 of improper and unsupported disbursements. The \$11,230.22 of improper disbursements identified consists of:

- \$2,682.50 of improper payroll to Ms. Baumgarn;
- \$561.21 of improper reimbursements to Ms. Baumgarn;
- \$441.51 of improper disbursements for the City's share of FICA and IPERS;
- \$7,345.00 of improper payroll to the City's former Water Superintendent, Vic McKenna, while he served as a City Council member;
- \$150.00 of improper disbursements to the City Treasurer, Dixie McKenna; and
- \$50.00 of improper disbursements from the Harris Community Builders' checking account.

The \$1,527.94 of unsupported disbursements identified includes \$737.52 of disbursements to Mr. McKenna, \$422.73 of reimbursements to Ms. Baumgarn, and \$367.69 of payments to vendors.

The report includes recommendations to strengthen the City's internal controls and overall operations, such as improving segregation of duties, performing bank reconciliations, performing utility reconciliations, prohibiting the signing of blank checks, requiring adequate documentation to properly support disbursements, and performing an independent review of bank statements and financial information presented to the City Council. In addition, the report includes a recommendation to ensure all disbursements are presented to the City Council for approval, as well as ensuring all City Council meeting minutes are properly signed by the Mayor and City Clerk.

Copies of the report have been filed with the Division of Criminal Investigation, the Osceola County Attorney's Office, and the Attorney General's Office. A copy of the report is available for review on the Auditor of State's website at <http://auditor.iowa.gov/specials/1422-0668-BE00.pdf> and in the Office of Auditor of State.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF HARRIS

FOR THE PERIOD
JULY 1, 2011 THROUGH SEPTEMBER 30, 2014**

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Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at your request, we conducted a special investigation of the City of Harris. We have applied certain tests and procedures to selected financial transactions of the City for the period July 1, 2011 through September 30, 2014, unless otherwise identified. 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 if adequate policies and procedures were in place and operating effectively.
- (2) Reviewed activity in the City's bank account to identify any unusual activity.
- (3) Scanned images of redeemed checks issued from the City's bank account for reasonableness. We also examined certain disbursements to determine if they were for appropriate purposes, properly approved, and supported by adequate documentation.
- (4) Compared available approved bill listings and City Council meeting minutes to the bank images of the redeemed checks issued from the City's bank account to identify any differences.
- (5) Examined certain deposits to the City's bank account to determine the source, purpose, and propriety of each deposit and to determine if deposits were made intact.
- (6) Examined all payments from the City's bank accounts to the former City Clerk to determine if the payments were appropriate, properly approved, and supported by adequate documentation. We also determined if the payments were for payroll or reimbursements. For payroll payments, we determined if the appropriate number of payroll disbursements to certain individuals had been made and payroll withholdings were properly remitted.
- (7) Examined all payments to the former Mayor, City Treasurer, and former Water Superintendent to determine if the amounts disbursed were appropriate, properly approved, and supported by adequate documentation.
- (8) Determined the amount of payroll issued to the former Water Superintendent from January 1, 2011 through December 31, 2011 while he also served on the City Council.
- (9) Interviewed City personnel to determine the propriety of certain disbursements and reimbursements.
- (10) Confirmed payments to the City by the State of Iowa and Osceola County to determine if they were properly deposited to the City's bank account in a timely manner.
- (11) Reviewed available City Council meeting minutes to identify significant actions and to determine if certain payments were properly approved.
- (12) Reviewed the City's Annual Financial Reports to determine if the cash balance was accurately reported.

- (13) Examined utility billing and collection records to determine if collections were properly accounted for and deposited to the City's bank account.
- (14) Scanned images of redeemed checks issued from an outside organization, Harris Community Builders, for reasonableness. We also examined available supporting documentation for the disbursements.


These procedures identified \$12,758.16 of improper and unsupported disbursements for the period July 1, 2011 through September 30, 2014. We were unable to determine if additional amounts may have been improperly disbursed or if collections were undeposited during this time period because adequate records 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 Harris, 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 Osceola 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 Harris during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 22, 2015

Report on Special Investigation of the
City of Harris
Investigative Summary

Background Information

The City of Harris is located in Osceola County and has a population of approximately 170. The City employs a part-time City Clerk who is responsible for the business operations of the City. The City also employed a part-time City Treasurer to review monthly bank statements and Treasurer Reports prepared by the City Clerk. In addition, the City employs a Water Superintendent who is responsible for water meter readings, making repairs to the water and sewer system, mowing and trimming, and snow removal for the City.

Robin Baumgarn became the City Clerk on July 12, 2011. As the City Clerk, Ms. Baumgarn was responsible for:

- 1) Receipts – collecting, posting to the accounting records, and preparing and making bank deposits,
- 2) Disbursements – making purchases, receiving certain goods and services, presenting 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, posting payments to the accounting records, and completing and filing required payroll reports,
- 4) Utility billings – preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and accounting records, and preparing and making bank deposits,
- 5) Bank accounts – receiving and reconciling monthly bank statements to accounting records, and
- 6) Reporting – preparing City Council meeting minutes and financial reports, including monthly Treasurer Reports and the Annual Financial Report.

There are no established office hours for City Hall. Ms. Baumgarn worked as needed to fulfill her responsibilities as City Clerk but was not to exceed 15 hours a week.

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 Osceola County and remitted to the City. The City receives payments from the State electronically. In addition, the City bills for utility services, including water, sewer, and garbage fees. Utility payments and other miscellaneous fees are collected through the mail, in person, or in the collection box at City Hall.

The Water Superintendent is responsible for reading water meters and providing the readings to the City Clerk. The City Clerk then inputs the readings into the utility software which calculates the utility bills based on the amount of water used and the rates entered. Once the utility bills are calculated, they are printed and mailed to customers by the City Clerk.

All City disbursements, including payroll, are to be made by check. All disbursements are to be supported by invoices or other documentation 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. After the City Council approves the bills, the City Clerk is to prepare and sign the checks which are to be countersigned by the Mayor.

Monthly statements for the City's bank account are mailed directly to the City's post office box and include images of deposit slips and redeemed checks. The City Clerk picked up the bank statements from the post office box. The bank statements and redeemed check images were not

periodically reviewed by members of the City Council. The bank statements were not reconciled and an independent review performed by the City Treasurer was not documented.

The City Clerk receives a monthly salary at an amount established by the City Council. The Mayor receives \$500.00 annually plus \$35.00 for each City Council meeting attended. Each City Council member receives \$25.00 for each City Council meeting attended. The City also employed a part-time City Treasurer, Dixie McKenna, to review the work of the City Clerk. She was hired in August 2011 and was employed as the City Treasurer from August 2011 to May 2014 at the rate of \$30.00 per month. According to Ms. McKenna, she was to review the bank statement and financial reports each month and report any discrepancies to the Mayor. Per discussions with City officials, Ms. McKenna was hired to provide oversight of the City's financial reports and activity.

Vic McKenna began serving as the City's Water Superintendent in October 1994. As the Water Superintendent, he received a monthly salary for reading water meters and an hourly rate for other work he performed as needed. Mr. McKenna resigned on August 31, 2012 but was rehired by the City on March 12, 2013. The amounts paid to Mr. McKenna until he retired on August 31, 2014 are summarized as follows:

- July 1, 2011 to August 31, 2012 - \$140.00 per month plus \$10.00 per hour.
- March 12, 2013 to November 25, 2013 - \$140.00 per month plus \$15.00 per hour.
- November 26, 2013 to August 31, 2014 - \$165.00 per month plus \$15.00 per hour.

At the June 25, 2014 City Council meeting, Ms. Baumgarn submitted her resignation as City Clerk, effective July 31, 2014. The City hired a new City Clerk, Chrissi Wiersma, at the July 8, 2014 City Council meeting. Shortly after Ms. Wiersma took office, she identified the following:

- Monthly Treasurer's Reports had not been prepared since February 2014,
- Monthly utility reconciliations were not prepared,
- Monthly bank reconciliations were not prepared,
- Delinquent utility listings were not provided to the City Council for review and approval,
- The City's accounting records had not been updated since May 2014,
- The City did not have supporting documentation for various reimbursements paid to Ms. Baumgarn,
- Mileage reimbursements were paid to Ms. Baumgarn for traveling to training and meetings when she rode with Ms. Wiersma, who was the Ocheyedan City Clerk at the time.

In addition, Mayor Greg Spaethe identified a concern with a \$50.00 check issued to "Cash" by Ms. Baumgarn from the Harris Community Builders' checking account, an account maintained separately from City accounts.

Harris Community Builders (Community Builders) was established in November 2013 to plan and prepare the City's 125 year anniversary celebration to be held on July 12, 2014. Community Builders was formed by 5 individuals, including Mayor Spaethe, the Mayor's wife, and the former City Clerk, Ms. Baumgarn. Ms. Baumgarn was the Treasurer of Community Builders. While Community Builders intended to obtain separate legal status and represented to the City it was legally separate, there is no documentation identifying how Community Builders was established. Mayor Spaethe stated he thought Ms. Baumgarn had filed the paperwork to create a non-profit organization, but it was not done. Because Community Builders did not obtain separate legal status, was operated primarily by City officials, and was partially funded by the City, we consider the account to be part of the City.

Community Builders opened a checking account in February 2014 with a \$5,000 deposit from the City. Based on a discussion with Mayor Spaethe, the City donated \$5,000 to Community Builders to pay for costs associated with the celebration. Other deposits to the checking account were donations from businesses and individuals and fundraising proceeds. Disbursements from the account included payments for advertising, rental of inflatables and portable toilets, a band, a beer sales license, beverages, raffle disbursements, insurance, and supplies.

In addition to the \$5,000 donation to Community Builders, the City also paid some celebration expenses directly from the City's bank account. According to Mayor Spaethe, the City received a \$3,500 grant from the Community Foundation of Osceola County to pay for celebration expenses. The City paid for celebration expenses until the grant was expended. Community Builders paid for the remaining costs of the celebration. Community Builders issued a check to the City on July 22, 2014 for \$398.33. According to Mayor Spaethe, the check was to reimburse the City for costs the City paid over the grant amount.

Community Builders continued to maintain the checking account after the celebration with a balance of approximately \$10,000.00. The \$5,000.00 contributed by the City was not repaid. Mayor Spaethe indicated Community Builders decided the balance should be used to purchase new playground equipment for the City Park. On October 2, 2015, Community Builders paid \$9,535.00 to Rainbow Play Systems of Iowa for the playground equipment.

As a result of the concerns identified by Ms. Weirsma and Mayor Spaethe, the City Council requested the Office of Auditor of State review the City's and Community Builders' financial transactions. We performed the procedures detailed in the Auditor of State's report for the period July 1, 2011 through September 30, 2014.

Detailed Findings

These procedures identified \$12,758.16 of improper and unsupported disbursements for the period July 1, 2011 through September 30, 2014. The \$11,230.22 of improper disbursements identified consists of:

- \$2,682.50 of improper payroll to Ms. Baumgarn,
- \$561.21 of improper reimbursements to Ms. Baumgarn,
- \$441.51 of improper disbursements for the City's share of FICA and IPERS,
- \$7,345.00 of improper payroll to Mr. McKenna while he served as a City Council member,
- \$150.00 of improper payroll to Ms. McKenna, and
- \$50.00 of improper disbursements from the Community Builders' checking account.

The \$1,527.94 of unsupported disbursements identified include \$737.52 of disbursements to Mr. McKenna, \$422.73 of payments to vendors, and \$367.69 of reimbursements to Ms. Baumgarn.

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

IMPROPER AND UNSUPPORTED DISBURSEMENTS

We reviewed all disbursements from the City's bank account for the period July 1, 2011 through September 30, 2014. In addition, we reviewed available documentation for certain disbursements to determine if they were appropriate; however, 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 documentation available at the City related to the disbursements to determine if they were appropriate.

Based on our review of the available supporting documentation, the vendor, the frequency and the amount of payments, and discussions with City officials, we classified the disbursements as improper, unsupported, or reasonable. The disbursements were classified as improper if they appeared personal in nature or were not reasonable for City operations. They were classified as unsupported if the City Council approved the payment but appropriate documentation was not available or it was not possible to determine if the payment was related to City operations or personal in nature. Disbursements were classified as reasonable if supporting documentation was available and/or the disbursement appeared to be for City operations based on the vendor, amount of payment, and frequency of payments to the vendor. The improper and unsupported disbursements identified are explained in detail in the following paragraphs.

Checks to Robin Baumgarn – We identified 42 checks issued to Ms. Baumgarn from the City’s bank account between July 1, 2011 and July 31, 2014. As previously stated, Ms. Baumgarn became the Clerk on July 12, 2011. According to the July 12, 2011 City Council meeting minutes, Ms. Baumgarn was authorized to receive \$350.00 per month. Her salary was increased at the July 10, 2012 City Council meeting, but the City Council meeting minutes did not specify the amount of the increase. Based on discussions with the former Mayor, he believes the increase was \$50.00 per month. Based on our review of the carbon copies of payroll checks following this meeting, her gross salary increased to \$400.00 per month. At the February 11, 2014 City Council meeting, Ms. Baumgarn’s salary was increased to \$750.00 per month, or \$12.50 an hour, not to exceed 15 hours a week. According to a City official we spoke with, it was reasonable for Ms. Baumgarn to also receive reimbursements for mileage, training, and various office supplies.

The 42 checks identified are listed in **Exhibit B** and total \$19,385.51. As illustrated by the **Exhibit**, the descriptions Ms. Baumgarn reported in the City Council approved disbursement listings indicate the purpose of the disbursements, including wages and reimbursements for items such as supplies, internet, mileage, postage, and food allotments. In some cases, the checks included both wages and reimbursements.

The **Exhibit** also illustrates the notations included on the carbon copies of the checks for Ms. Baumgarn’s gross pay and related payroll withholdings. Based on the notations on the carbon copies of the checks, we determined what portion, if any, of each check was for payroll. The amount identified as payroll included only the checks, or portions of checks, which were calculated using the gross pay and withholding amounts recorded on the carbon copies of the checks.

Robin Baumgarn’s Payroll – As stated previously, when Ms. Baumgarn was hired, she was authorized to receive a monthly salary of \$350.00. At the July 10, 2012 City Council meeting, her salary was increased to \$400.00 per month. At the February 11, 2014 City Council meeting, her salary was increased to \$750.00 per month.

We determined the number of months in each calendar year Ms. Baumgarn worked for the City and compared the authorized salary to the actual salary using the gross payroll listed on the carbon copies of the checks. We consider any salary in excess of the authorized amount to be improper.

We also determined Ms. Baumgarn’s payroll checks were issued in advance of work being performed. Payroll checks were issued on the second Tuesday of each month. Ms. Baumgarn’s first payroll check was dated August 10, 2011 and covered her compensation from her start date of July 12, 2011 through August 31, 2011. As illustrated by **Exhibit B**, each subsequent payroll check was also issued in advance because it was issued mid-month but was for the entire month’s compensation. Her final payroll check was dated July 8, 2014 and covered her compensation through her resignation date of July 31, 2014 plus the month of August 2014.

According to Ms. Wiersma, although Ms. Baumgarn’s resignation was effective July 31, 2014, she was compensated for August 2014 to help with the transition to the new City Clerk. However, Ms. Wiersma stated Ms. Baumgarn only worked the first two weeks of August. As a result, we

determined her authorized payroll for this period was \$750.00 for July 2014 and \$375.00 for half of August 2014, for total authorized gross pay of \$1,125.00.

In February 2014, Ms. Baumgarn's salary was approved as \$750.00 per month, or \$12.50 an hour, not to exceed 15 hours a week. Based on discussions with City officials, even though the City Council approved Ms. Baumgarn's compensation as both a monthly salary and an hourly rate, the City Council intended to compensate Ms. Baumgarn the monthly salary of \$750.00, not hourly. Ms. Baumgarn was paid \$750.00 each month for March 2014 through June 2014.

As illustrated by **Exhibit B**, we identified 36 checks which included notations of payroll withholding amounts. We compared the gross pay amount listed on the carbon copies of the checks to her authorized gross pay and identified 16 checks which included gross pay exceeding her authorized gross pay by \$2,682.50. The \$2,682.50 is included in **Exhibit A** as improper disbursements.

Based on our review of the descriptions included in **Exhibit B** which state "meetings" or "special meeting," it appears Ms. Baumgarn was paying herself for attending City Council meetings. According to the City's ordinances related to compensation, the Mayor and City Council members are to receive compensation for each City Council meeting attended. However, the ordinances do not provide for compensation for each City Council meeting attended by the City Clerk. In addition, based on interviews with the former and current Mayors, they do not believe Ms. Baumgarn was entitled to additional compensation for attending City Council meetings. Because Ms. Baumgarn was not authorized to receive additional compensation for attending City Council meetings, the compensation identified as "meetings" or "special meeting" is included as improper payroll in **Exhibit A**.

The notations on the carbon copies of the checks issued to Ms. Baumgarn indicate withholdings were made from all 36 payroll checks identified. We compared the gross pay from checks issued to Ms. Baumgarn, including the amounts she improperly paid herself, to the amounts reported on her W-2 forms for 2011 through 2014 and determined total payroll of \$18,782.50 was reported on the W-2 forms. We also determined the withholding amounts reported on Ms. Baumgarn's W-2 for FICA and IPERS were properly calculated based on the gross pay reported with the exception of the FICA withholdings reported on Ms. Baumgarn's 2013 W-2. Her FICA withholdings for 2013 were understated by \$38.00, which is not included in **Exhibit A** because it does not represent an additional cost to the City.

The City also paid \$205.21 for the City's share of FICA and \$236.30 for the City's share of IPERS contributions for the \$2,682.50 of improper payroll identified. Because these amounts are related to improper disbursements, the \$441.51 of improper FICA and IPERS contributions is included in **Exhibit A** as improper disbursements.

Reimbursements to Robin Baumgarn – As stated previously, **Exhibit B** includes both the notations Ms. Baumgarn included on the checks and the descriptions Ms. Baumgarn made on the City Council approved disbursement listings. The notations and descriptions indicate the checks were for payroll or reimbursements for items such as supplies, internet, mileage, postage, and food allotments while traveling. Of the 42 checks Ms. Baumgarn issued to herself from July 1, 2011 through July 31, 2014, 3 included only payroll, 6 included only reimbursements, and 33 included both payroll and reimbursements.

Of the 39 checks which include reimbursements to Ms. Baumgarn, the reimbursement portion totals \$4,289.27. The 39 checks are listed in **Exhibit C**. All 39 were listed in the approved disbursement listings included in the City Council meeting minutes. However, none of the disbursement listings approved by the City Council were signed by the City Clerk or the Mayor to authenticate the record. Of the 39 reimbursement checks, 7 included supporting documentation for at least a portion of the reimbursement and are considered reasonable. Of the remaining checks, 31 did not include supporting documentation but were determined to be reasonable based on discussions with City officials. The reimbursement checks considered reasonable total \$3,360.37 and are identified in **Exhibit C**.

As previously stated, it was reasonable for Ms. Baumgarn to receive reimbursements for mileage to and from training. City officials indicated it was also common for Ms. Baumgarn to travel to and from training with the Ocheyedan City Clerk to save costs. Based on interviews with Ms. Wiersma, the former Ocheyedan City Clerk, we identified 3 checks issued to Ms. Baumgarn which include mileage reimbursements for trips when she rode with Ms. Wiersma. The mileage reimbursement portion of these 3 checks, totaling \$561.21, is included in **Exhibit C** as improper reimbursements. The improper mileage reimbursements are discussed in the following paragraphs.

- The City reimbursed Ms. Baumgarn \$357.66 on May 14, 2013 for internet of \$24.99 and mileage of \$332.67. The mileage included a \$54.97 reimbursement for 97.3 miles to attend a FEMA meeting. Ms. Wiersma was reimbursed \$66.67 on May 14, 2013 by the City of Ocheyedan for 118 miles to a FEMA meeting held in Orange City on May 13, 2013. Ms. Wiersma stated Ms. Baumgarn rode with her to the meeting.
- The City reimbursed Ms. Baumgarn \$255.51 on August 13, 2013 for internet of \$24.99 and mileage of \$230.52. The mileage was for 408 miles to attend Clerk school. Ms. Wiersma was reimbursed \$246.47 on July 18, 2013 by the City of Ocheyedan for 436 miles to attend Clerk school in Ames from July 15, 2013 through July 17, 2013. Ms. Wiersma stated Ms. Baumgarn rode with her to Clerk school.
- The City reimbursed Ms. Baumgarn \$300.71 on November 12, 2013 for internet of \$24.99 and mileage of \$275.72. The mileage was for 488 miles to attend IMFOA training. Ms. Wiersma was reimbursed \$275.72 on October 21, 2013 by the City of Ocheyedan for 488 miles to attend IMFOA training in Des Moines from October 15, 2013 through October 18, 2013. Ms. Wiersma stated Ms. Baumgarn rode with her to the IMFOA training.

Section 70A.11 of the *Code of Iowa* states, in part, “No public officer or employee shall be allowed either mileage or transportation expense when...transported by another public officer or employee who is entitled to mileage or transportation expense.” Because Ms. Baumgarn rode to the events with Ms. Wiersma, who received mileage reimbursements for the travel, Ms. Baumgarn should not have received mileage reimbursements from the City for the same trips.

Of the 39 reimbursement checks listed in **Exhibit C**, 13 contain portions which were approved by the City Council but were not supported by documentation. The carbon copy of these checks included descriptions of supplies, postage, ink, and a key. Because of the lack of supporting documentation, we are unable to determine if these payments were for City operations or personal in nature. As a result, \$367.69 for the 13 checks is classified as unsupported in **Exhibit C**.

The \$367.69 of unsupported reimbursements and the \$561.21 of improper reimbursements issued by Ms. Baumgarn are included in **Exhibit A**.

The City reimbursed Ms. Baumgarn \$24.99 monthly for internet service. Based on discussions with City officials, the reimbursement was made because the City did not provide internet service and Ms. Baumgarn used her home internet for City business. The City did not require the City Clerk to provide supporting documentation for her internet bill. In addition, the City Council minutes did not document approval of the City’s agreement with the City Clerk regarding internet service. Although the monthly reimbursements did not include supporting documentation, the payments are classified as reasonable in **Exhibit C**.

Payments to Vendors – As previously stated, we reviewed all checks from the City’s bank account from July 1, 2011 through September 30, 2014 to determine if purchases were reasonable for City operations. In addition, we reviewed the disbursement listings approved by the City Council, minutes of City Council meetings, available supporting documentation, and discussed certain disbursements with City officials. Based on our review of the vendor, the amount, and frequency of checks to vendors, available supporting documentation and discussion with City officials, we classified the payments as improper, unsupported, or reasonable.

We identified 14 checks issued to various vendors for which supporting documentation was not available. Of the 14 checks, 11 were determined to be reasonable based on the vendor, amount, and frequency of the payments. We were unable to determine if the 3 remaining checks were for City operations or personal in nature. The 3 checks totaling \$422.73 are listed in **Table 1**. For 2 of the 3 disbursements listed, the approved disbursement listing included a description of the payment, but we were unable to determine if the payment was for the item listed in the description or if the items purchased were used for City operations or personal in nature. The approved disbursements listing did not include a description for check number 9797 and City officials were unable to verify if the payment was for City purposes.

Table 1

| Check Date | Check Number | Payee | Amount | Description |
|-------------------|---------------------|------------------|------------------|--------------------------|
| 09/11/12 | # | Davis Typewriter | \$ 50.19 | Toner cartridge |
| 06/10/14 | 9796 | Quill | 132.54 | Printer toner cartridges |
| 06/10/14 | 9797 | R&L Construction | 240.00 | No description included |
| Total | | | <u>\$ 422.73</u> | |

- The City ran out of checks so a counter check was issued.

The 3 checks were approved by the City Council. Because we could not determine the propriety of the disbursements, the \$422.73 is included in **Exhibit A** as unsupported disbursements.

Disbursements to Vic McKenna – As previously stated, Mr. McKenna was the City’s Water Superintendent from October 1994 to August 31, 2012 and again from March 12, 2013 to August 31, 2014. Mr. McKenna’s duties included reading utility meters, making repairs to the water and sewer system as needed, snow removal on City sidewalks, and mowing and trimming of City property and nuisance properties. Mr. McKenna also served on the City Council from January 2011 to December 2011. According to the City Council meeting minutes, City Council members were to be paid annually for each City Council meeting attended. In addition, Mr. McKenna was to be paid monthly for his Water Superintendent and maintenance duties.

Based on City ordinance, Mr. McKenna was to be compensated \$25.00 for each City Council meeting he attended. Based on our review of City Council meeting minutes, we determined Mr. McKenna received \$300.00 for attending City Council meetings between January 1, 2011 and December 31, 2011. However, while Mr. McKenna was a City Council member, he also was Water Superintendent and performed other duties as an employee of the City. He was paid \$7,345.00 from January 1, 2011 through December 31, 2011 as the Water Superintendent and for other duties performed as an employee of the City. Based on our review of the City Council meeting minutes, Mr. McKenna voted to approve all disbursement listings during the year, thereby approving his own payroll.

Section 372.13(8) of the *Code of Iowa* states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office, but may be reimbursed for actual expenses incurred.” Accordingly, when Mr. McKenna became a City Council member, he was not entitled to receive compensation as the City’s Water Superintendent or for other duties he performed as an employee of the City. As a result, the \$7,345.00 he was paid as a City employee during 2011 is included in **Exhibit A** as improper disbursements.

Mr. McKenna could have been compensated for the services he performed while a City Council member if he had resigned as a City employee and then been selected through a competitive bid process to perform the services as an independent contractor in accordance with section 362.5 of the *Code of Iowa*. However, this did not occur. The payroll Mr. McKenna received for being Water Superintendent prior to January 1, 2011 and after December 31, 2011 was appropriate.

According to Mr. McKenna, he resigned from his position with the City effective August 31, 2012 so he could begin drawing his IPERS benefits. The July 10, 2012 City Council meeting minutes stated Mr. McKenna had submitted his resignation, but he may decide to reapply to the City at a later date as an independent contractor.

Following Mr. McKenna’s resignation, the City hired Dean Phillips to take over the Water Superintendent duties effective August 14, 2012. Based on our review of supporting documentation, Mr. Phillips did not do any of the maintenance work previously performed by Mr. McKenna. Instead, he only read the water meters each month. Mr. Phillips held this position through January 31, 2013. We determined the compensation Mr. Phillips received from August 14, 2012 through January 31, 2013 was appropriate.

According to discussions held with a representative of IPERS, Mr. McKenna received IPERS benefits from September 2012 through September 30, 2014.

At the March 12, 2013 City Council meeting, the City rehired Mr. McKenna as the City’s Water Superintendent. The City Council authorized a monthly salary of \$140.00 for meter reading plus \$15.00 an hour for his other labor. At the November 26, 2013 City Council meeting, Mr. McKenna’s monthly salary was increased to \$165.00.

Mr. McKenna submitted a monthly typed description of his Water Superintendent duties performed along with handwritten invoices listing the maintenance work performed during the month and the number of hours it took him to complete each task, as well as the total number of hours he worked during the month. Based on discussion with City officials, it was reasonable for Mr. McKenna to occasionally submit reimbursement requests for supplies he purchased to complete maintenance work for the City. These requests were usually included on Mr. McKenna’s handwritten invoices. In other cases, the City issued a separate check to reimburse Mr. McKenna for supplies.

Mr. McKenna was to provide support for all of the work he performed as well as reimbursements.

We identified a payroll disbursement for \$367.02 to Mr. McKenna dated April 10, 2012 for which there wasn’t any supporting documentation. Based on the disbursement listing provided to the City Council, the payment was for labor. Because the City did not maintain supporting documentation for the \$367.02 disbursement, it is considered to be an unsupported disbursement.

We identified instances where Mr. McKenna received reimbursements during the period July 1, 2011 through September 30, 2014. Of the 5 reimbursements made to Mr. McKenna, only 1 included supporting documentation for the amount reimbursed. The remaining 4 reimbursements are listed in **Table 2**. We were unable to locate supporting documentation for the reimbursement portion of the checks listed in **Table 2**.

Table 2

| Check Date | Check Number | Amount | Payroll Portion | Reimbursement Portion | Description per Approved Disbursement Listing |
|-------------------|---------------------|---------------|------------------------|------------------------------|--|
| 06/12/12 | 9264 | \$ 1,319.10 | 1,230.00 | 89.10 | 10 cans of traffic paint |
| 03/12/13 | 9439 | 350.00 | 192.10 | 157.90 | <i>None</i> |
| 05/13/14 | 9769 | 65.00 | - | 65.00 | Refund of water meter payment |
| 06/10/14 | 9794 | 58.50 | - | 58.50 | Refund of water meter payment |
| Total | | \$ 1,792.60 | 1,422.10 | 370.50 | |

The 4 checks were approved by the City Council. Because supporting documentation was not available, the reimbursements totaling \$370.50 are considered to be unsupported disbursements.

The \$367.02 unsupported payroll disbursement and the \$370.50 of unsupported reimbursements paid to Mr. McKenna total \$737.52 and are included in **Exhibit A** as unsupported disbursements.

Disbursements to Dixie McKenna – Ms. McKenna served as the part-time City Treasurer from August 2011 through May 2014. Ms. McKenna was hired to review Ms. Baumgarn’s monthly reports and the City’s bank statements to provide oversight. She was paid \$30.00 per month for her services.

Ms. McKenna was to report to the Mayor if there were any issues or discrepancies. The City did not require a written report from Ms. McKenna or written evidence the reviews were performed. We reviewed the City’s records and determined there was no evidence of review of the City’s monthly bank statements or Treasurer’s Reports for August 1, 2011 through May 31, 2014.

Through discussions with City officials and our review of City records, we determined financial reports were not prepared by Ms. Baumgarn beginning in January 2014. However, she issued \$30.00 monthly payments to Ms. McKenna from January 2014 to May 2014. In addition, Ms. McKenna did not notify the Mayor she had not received the bank statements and financial reports to review. Because Ms. McKenna did not receive the reports or bank statements, she was unable to perform her duties. As a result, Ms. McKenna’s compensation of \$150.00 from January 2014 through May 2014 is included in **Exhibit A** as improper disbursements.

Ms. McKenna repaid the City \$150.00 on July 17, 2014. Per our discussions with Ms. McKenna, she thought Ms. Baumgarn had just fallen behind and would eventually get caught up. When Ms. Baumgarn resigned, Ms. McKenna paid the City for the months she had not received any reports to review. The \$150.00 payment from Ms. McKenna is included in **Exhibit A** as a repayment.

Harris Community Builders – As previously stated, Ms. Baumgarn served as the Treasurer of Community Builders which was established to plan and prepare the City’s 125 year anniversary celebration. Because Community Builders did not obtain separate legal status, was operated primarily by City officials, and was partially funded by the City, the checking account is considered to be part of the City. Ms. Baumgarn was asked to resign as Treasurer after Mayor Spaethe realized Ms. Baumgarn issued a \$50.00 check dated May 13, 2014 to “Cash.” When asked by Mayor Spaethe why the check was issued, Ms. Baumgarn stated it was for gas money for her friend who was to pick up donations from area businesses. Mayor Spaethe stated the friend did not pick up the donations and he picked up the donations himself. The \$50.00 is included in **Exhibit A** as an improper disbursement.

Certain disbursements made from the Community Builders’ checking account, including the beer sales license, beer purchases, and raffle disbursements, did not include documentation of public purpose and may not be a proper disbursement of public funds. However, we did not classify these disbursements as improper because Community Builders solicited private donations and raised funds to cover these disbursements and the persons making the contributions had an expectation the funds were to be used for these purposes.

COLLECTIONS

As previously stated, the City’s primary revenue sources include taxes from the State of Iowa and Osceola County. We reviewed documentation related to these revenue sources to determine if collections were properly deposited.

Receipts from the State of Iowa – The majority of receipts 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 bank account.

Taxes from Osceola County – We confirmed all payments to the City by Osceola County were properly deposited to the City’s bank account.

Utility Charges – As previously stated, the City bills for utility services, including water, sewer, and garbage fees. Utility payments and other miscellaneous fees are collected through the mail or in the utility collection box located at City Hall.

Ms. Baumgarn maintained utility records for each account by recording monthly billings and payment activity in a software program used by the City. However, utility billing reconciliations were not prepared. We were unable to perform a full reconciliation of billings to collections because the amount of billing adjustments and penalties assessed were not readily available. However, we reviewed the City's utility billings, utility receipts and deposits for the period January 1, 2013 through September 30, 2014 and found the City's utility collections and deposits to be reasonable.

OTHER ADMINISTRATIVE ISSUES

City Council Meeting Minutes – We reviewed the City Council meeting minutes from July 2011 through August 2014 and determined the minutes for all meetings were not signed by the City Clerk or Mayor to authenticate the record. We also determined 25 of the disbursement listings approved by the City Council differed from the checks which cleared the bank. Not all disbursements were included in the disbursement listings approved by the City Council. For some disbursements, the amount of the check issued was higher or lower than the amount in the disbursement listing approved by the City Council.

Pre-signing of Checks – As previously stated, we reviewed all checks from the City's bank account from July 1, 2011 through September 30, 2014 to determine if purchases appeared reasonable for City operations. Through our review, we identified an instance where a blank check was signed in advance by the Mayor. The signed check was used at Walmart to purchase the City's TracFone and phone cards used by the City Clerk for City business.

Based on discussions with the current and former Mayors, there were instances when Ms. Baumgarn presented blank checks to be signed. According to the Mayors, Ms. Baumgarn indicated the checks needed to be issued for bills which were due.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Harris 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 identified 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, 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, posting payments to the accounting records, and completing and filing required payroll reports,
 - (4) Utility billings – preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and accounting records, and preparing and making bank deposits,
 - (5) Bank accounts – receiving and reconciling monthly bank statements to accounting records, and
 - (6) Reporting – preparing City Council meeting minutes and financial reports, including monthly Treasurer Reports and the Annual Financial Report.

Although the City Treasurer was hired to provide oversight by reviewing the bank statements and financial reports, we were unable to determine the extent to which or if the review was being done because no evidence of review existed. In addition, bank reconciliations were not documented.

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 Mayor, and City Council members. In addition, the Mayor, City Council members, or other designated individual should review financial records and bank statements, perform reconciliations, and examine supporting documentation for accounting records on a periodic basis.

Monthly bank reconciliations should be performed in a timely manner and should be reviewed by someone independent of other financial responsibilities. The reviews should be documented by the signature or initials of the reviewer and the date of the review. A review of the bank statements should include reviewing all check images for propriety and comparing the check images to the bill listing approved by the City Council.

- B. Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, and delinquencies were not reconciled monthly.

In addition, certain utility billing and receipt reports were not retained by the City or multiple reports existed for the same period making it difficult to determine which

report was the final version. For missing reports, the City was able to subsequently run the reports from the City's utility system.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts each month. The City Council should review the reconciliations and monitor delinquencies each month. The reviews should be documented by the signature or initials of the reviewer and the date of the review. The City should ensure all utility billing and receipt reports are retained and properly identified as final reports.

- C. Disbursements – Disbursements were not always supported by invoices or other supporting documentation. Blank checks were occasionally signed by the Mayor. Although the City Council approved a listing of bills to be paid, the invoices and other supporting documentation were not provided to the City Council for review.

Recommendation – The City should retain supporting documentation for all disbursements. The practice of signing blank checks should be prohibited. Checks should not be signed until a specific payee and amount are included on the check and the check signer has reviewed the related supporting documentation to ensure the payment is appropriate. In addition, invoices and other supporting documentation should be available at City Council meetings for review.

- D. Annual Financial Reports – The amounts reported as receipts, disbursements and fund balances in the 2012 and 2013 Annual Financial Reports did not agree with the City's financial records.

Recommendation – The City should ensure the Annual Financial Reports are accurately prepared. The ending fund balances reported in the Annual Financial Reports should agree with cash and investment balances supported by bank reconciliations.

- E. City Council Meeting 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:

- None of the minutes of the City Council meetings were properly signed by the City Clerk 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 and certain disbursements were listed at an incorrect amount.

Recommendation – City officials should implement procedures to ensure the City Clerk signs all meeting minutes in accordance with section 380.7(4) of the *Code of Iowa*. In addition, City officials should implement procedures to ensure the minutes are also signed by the Mayor or a designated City Council member to ensure the minutes accurately reflect actions taken.

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.

- F. Internet Reimbursement – The City reimbursed the former City Clerk \$24.99 monthly for internet service at her home. The City did not require the City Clerk to provide supporting documentation of her internet bill. In addition, the City Council meeting minutes did not document approval of the City's agreement with the City Clerk regarding internet service.

Recommendation – The minutes should document approval of the agreement between the City and the City Clerk for internet service, including the type and frequency of supporting documentation required to receive reimbursement.

- G. Travel Payments – Section 70A.11 of the *Code of Iowa* states, in part, “No public officer or employee shall be allowed either mileage or transportation expense when ... transported by another public officer or employee who is entitled to mileage or transportation expense.” During our review of payments to the former City Clerk, we determined she received mileage reimbursements for 3 trips when she rode with the Ocheyedan City Clerk who received mileage reimbursements for the trips.

We also determined itemized mileage claims were not prepared to document the dates of travel, destination, and purpose of the trip. Meal allotments of \$30.00 per day were paid in advance and without considering if the conferences or training events attended provided meals.

Recommendation – The City should require itemized mileage claims be prepared which document the dates of travel, destination, and purpose of the trip. When City employees car pool to events with non-City employees, the City should also request documentation from the of mileage reimbursements paid to non-City employees to ensure mileage claims are not duplicated.

In addition, the City should consider reimbursing the actual costs of meals, up to City established limits, rather than providing a daily allowance. If meal allotments are continued, the City should obtain documentation of meals provided by the conference or training event and adjust the amount paid by the City accordingly.

- H. Investment Policy - 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*.

- I. Dual Compensation – Section 372.13(8) of the *Code of Iowa* states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office, but may be reimbursed for actual expenses incurred.”

During the period January 1, 2011 through December 31, 2011, Mr. McKenna acted as Water Superintendent and performed other duties as an employee of the City while also a member of the City Council. Mr. McKenna’s compensation as an employee totaled \$7,345.00 from January 1, 2011 through December 31, 2011. In accordance with section 372.13(8) of the *Code of Iowa*, Mr. McKenna was not allowed to be compensated as a City employee while serving as a City Council member.

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

- J. Separately Maintained Records – The City donated \$5,000.00 to Harris Community Builders, an organization established to plan and prepare the City’s 125 year anniversary celebration. A checking account was opened by Community Builders to account for the City’s donation as well as private donations and fundraising activities. Although Community Builders intended to obtain separate legal status and represented to the City it was legally separate, there is no documentation indicating how Community Builders was established. Because Community Builders did not obtain separate legal

status, was operated primarily by City officials, and was partially funded by the City, the checking account is considered to be part of the City.

In addition, the Harris Fire Department maintains bank accounts separate from the City Clerk's accounting records.

The transactions and resulting balances of the Community Builders' and Fire Department's separate bank accounts were not included in the City's accounting records, 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 purposes." 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.

Exhibits

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

Report on Special Investigation of the
City of Harris

Summary of Findings
For the Period July 1, 2011 through September 30, 2014

| Description | Exhibit/Table/ Page Number | Improper | Unsupported | Total |
|---|---------------------------------------|-----------------|--------------------|--------------|
| Improper and unsupported disbursements: | | | | |
| Payroll to Robin Baumgarn | Exhibit B | \$ 2,682.50 | - | 2,682.50 |
| City's share of FICA and IPERS | Page 9 | 441.51 | - | 441.51 |
| Reimbursements to Robin Baumgarn | Exhibit C | 561.21 | 367.69 | 928.90 |
| Payments to vendors | Table 1 | - | 422.73 | 422.73 |
| Disbursements to Vic McKenna | Page 11 | 7,345.00 | 737.52 | 8,082.52 |
| Payroll to Dixie McKenna | Page 13 | 150.00 | | 150.00 |
| Harris Community Builders cash disbursement | Page 13 | 50.00 | - | 50.00 |
| Total | | 11,230.22 | 1,527.94 | 12,758.16 |
| Less: Repayment by Dixie McKenna on July 17, 2014 | Page 13 | (150.00) | - | (150.00) |
| Net Total | | \$ 11,080.22 | 1,527.94 | 12,608.16 |

Report on Special Investigation of the
City of Harris

Checks to Robin Baumgarn
For the Period July 1, 2011 through September 30, 2014

| Check Date | Check Number | Notation on Carbon Copy of Check | | | | Per Approved Disbursement Listing | Amount |
|-------------------|--------------|----------------------------------|----------|----------|--------------|--|-----------|
| | | Gross Pay | FICA | IPERS | Withholdings | | |
| 08/10/11 | 9026 | \$ 525.00 | (29.66) | (28.25) | (15.00) | Clerk/Internet/Postage | \$ 482.67 |
| 09/13/11 | 9064 | 350.00 | (19.77) | (18.83) | (15.00) | Clerk/Internet | 321.39 |
| 10/11/11 | 9081 | 350.00 | (19.77) | (18.83) | (15.00) | Clerk/Postage/Internet/Supplies | 331.59 |
| 11/08/11 | 9104 | 350.00 | (19.77) | (18.83) | (15.00) | Clerk/Internet/Supplies | 325.42 |
| 12/13/11 | 9127 | 475.00 | (26.83) | (25.56) | (15.00) | Clerk/Internet/Mileage/Meetings | 503.49 |
| Subtotal for 2011 | | 2,050.00 | (115.80) | (110.30) | (75.00) | | 1,964.56 |
| 01/10/12 | 9165 | 350.00 | (19.77) | (18.83) | (20.00) | Clerk | 291.40 |
| 02/14/12 | 9191 | 375.00 | (21.18) | (20.18) | (20.00) | Clerk/Internet/Ink/Postage/Special Mtg | 393.36 |
| 03/13/12 | 9212 | 350.00 | (19.77) | (18.83) | (20.00) | Clerk/Postage/Internet | 357.39 |
| 03/14/12 | 9215 | - | - | - | - | Printer/Ink Cartridge | 181.36 |
| 04/10/12 | 9225 | 350.00 | (19.77) | (18.83) | (20.00) | Clerk/Postage/Internet | 342.89 |
| 05/08/12 | 9239 | 350.00 | (19.77) | (18.83) | (20.00) | Clerk/Postage/Internet | 332.29 |
| 06/12/12 | 9262 | 350.00 | (19.77) | (18.83) | (20.00) | Clerk/Internet | 316.39 |
| 07/10/12 | 9287 | 350.00 | (19.78) | (20.23) | (20.00) | Clerk/Internet | 314.98 |
| 07/10/12 | 9294 | - | - | - | - | Food Allotment | 150.00 |
| 08/14/12 | 9299 | 400.00 | (22.60) | (23.12) | (20.00) | Clerk/Internet/Mileage | 569.37 |
| 09/11/12 | none * | 400.00 | (22.60) | (23.12) | (37.88) | Clerk/Internet | 341.39 |
| 10/09/12 | 9315 | 400.00 | (22.60) | (23.12) | (20.00) | Clerk/Internet/Mileage | 457.72 |
| 11/13/12 | 9335 * | 400.00 | (22.60) | (23.12) | (15.05) | Clerk/Internet/Filing Fee | 364.22 |
| 12/11/12 | 9361 | 700.00 | (39.55) | (40.46) | (20.00) | Clerk/Internet | 624.98 |
| Subtotal for 2012 | | 4,775.00 | (269.76) | (267.50) | (252.93) | | 5,037.74 |
| 01/08/13 | 9396 * | 400.00 | (22.60) | (23.12) | (20.00) | Clerk | 334.28 |
| 01/08/13 | 9397 | - | - | - | - | Internet | 24.99 |
| 02/12/13 | 9414 | 400.00 | (22.60) | (23.12) | (20.00) | Clerk/Internet | 359.27 |
| 02/12/13 | 9417 | - | - | - | - | Laptop Computer/Mouse/Flash Drive | 439.97 |
| 03/12/13 | 9433 | 500.00 | (38.25) | (28.90) | (60.00) | Clerk/Internet | 397.84 |
| 04/09/13 | 9451 | 500.00 | (38.25) | (28.90) | (60.00) | Clerk/Internet | 397.84 |
| 05/14/13 | 9470 | 530.00 | (40.55) | (30.63) | (60.00) | Clerk/Internet/Mileage/FEMA mtg | 756.48 |
| 06/11/13 | 9499 | 527.50 | (40.35) | (30.49) | (60.00) | Clerk/Internet/Mileage/FEMA mtg | 434.87 |

| Payment for | | Gross Pay Amount | |
|--------------------|----------------------|-------------------------|-----------------|
| Payroll | Reimbursement | Authorized | Improper |
| 452.09 | 30.58 | 525.00 | - |
| 296.40 | 24.99 | 350.00 | - |
| 296.40 | 35.19 | 350.00 | - |
| 296.40 | 29.02 | 350.00 | - |
| 407.61 | 95.88 | 350.00 | 125.00 |
| 1,748.90 | 215.66 | 1,925.00 | 125.00 |
| 291.40 | - | 350.00 | - |
| 313.64 | 79.72 | 350.00 | 25.00 |
| 291.40 | 65.99 | 350.00 | - |
| - | 181.36 | - | - |
| 291.40 | 51.49 | 350.00 | - |
| 291.40 | 40.89 | 350.00 | - |
| 291.40 | 24.99 | 350.00 | - |
| 289.99 | 24.99 | 350.00 | - |
| - | 150.00 | - | - |
| 334.28 | 235.09 | 400.00 | - |
| 316.40 | 24.99 | 400.00 | - |
| 334.28 | 123.44 | 400.00 | - |
| 339.23 | 24.99 | 400.00 | - |
| 599.99 | 24.99 | 400.00 | 300.00 |
| 3,984.81 | 1,052.93 | 4,450.00 | 325.00 |
| 334.28 | - | 400.00 | - |
| - | 24.99 | - | - |
| 334.28 | 24.99 | 400.00 | - |
| - | 439.97 | - | - |
| 372.85 | 24.99 | 400.00 | 100.00 |
| 372.85 | 24.99 | 400.00 | 100.00 |
| 398.82 | 357.66 | 400.00 | 130.00 |
| 396.66 | 38.21 | 400.00 | 127.50 |

Report on Special Investigation of the
City of Harris

Checks to Robin Baumgarn
For the Period July 1, 2011 through September 30, 2014

| Check Date | Check Number | Notation on Carbon Copy of Check | | | | Per Approved Disbursement Listing | Amount |
|-------------------|--------------|----------------------------------|------------|------------|--------------|---------------------------------------|-------------|
| | | Gross Pay | FICA | IPERS | Withholdings | | |
| 07/09/13 | 9522 | 500.00 | (38.25) | (29.75) | (60.00) | Allowance | 554.00 |
| 08/13/13 | 9546 | 500.00 | (38.25) | (29.75) | (50.00) | Clerk/Internet/Mileage | 637.51 |
| 09/10/13 | 9570 | 500.00 | (38.25) | (29.75) | (50.00) | Clerk/Internet/Postage/Food Allotment | 529.99 |
| 10/08/13 | 9594 | 500.00 | (38.25) | (29.75) | (50.00) | Clerk/Internet/Mileage/Food | 880.01 |
| 11/12/13 | 9616 | 500.00 | (38.25) | (29.75) | (60.00) | Clerk/Internet/Mileage | 672.71 |
| 12/10/13 | 9636 | 850.00 | (65.03) | (50.58) | (35.00) | Clerk/Internet | 699.39 |
| Subtotal for 2013 | | 6,207.50 | (458.88) | (364.49) | (585.00) | | 7,119.15 |
| 01/14/14 | 9676 | 500.00 | (38.25) | (29.75) | (60.00) | Clerk/Internet/Supplies | 402.44 |
| 02/11/14 | 9694 * | 500.00 | (38.25) | (29.75) | (64.59) | Clerk/Internet/Supplies | 392.40 |
| 03/11/14 | 9718 | 750.00 | (57.37) | (44.63) | (20.00) | Clerk/Internet/Key | 654.90 |
| 03/11/14 | 9719 | - | - | - | - | Food Allowance | 90.00 |
| 04/15/14 | 9740 | 750.00 | (57.37) | (44.63) | (20.00) | Clerk/Internet/Mileage | 927.69 |
| 04/25/14 | 9747 ^ | - | - | - | - | Phone Card | 43.31 |
| 05/13/14 | 9764 | 750.00 | (57.37) | (44.63) | (40.00) | Clerk/Internet/Phone Card | 676.30 |
| 06/10/14 | 9787 | 750.00 | (57.37) | (44.63) | (100.00) | Clerk/Internet/Phone Card/Mileage | 634.04 |
| 07/08/14 | 9821 | 1,750.00 | (133.88) | (104.13) | (100.00) | June & July Meetings/Postage/Internet | 1,442.98 |
| Subtotal for 2014 | | 5,750.00 | (439.86) | (342.15) | (404.59) | | 5,264.06 |
| Total | | \$ 18,782.50 | (1,284.30) | (1,084.44) | (1,317.52) | | \$19,385.51 |

* - Carbon copy did not include the amounts withheld.

^ - Date issued for check number 9747 was blank. The date listed is the date the check cleared the bank.

| Payment for | | Gross Pay Amount | |
|--------------------|----------------------|-------------------------|-----------------|
| Payroll | Reimbursement | Authorized | Improper |
| 372.00 | 182.00 | 400.00 | 100.00 |
| 382.00 | 255.51 | 400.00 | 100.00 |
| 382.00 | 147.99 | 400.00 | 100.00 |
| 382.00 | 498.01 | 400.00 | 100.00 |
| 372.00 | 300.71 | 400.00 | 100.00 |
| 699.39 | - | 400.00 | 450.00 |
| <u>4,799.13</u> | <u>2,320.02</u> | <u>4,800.00</u> | <u>1,407.50</u> |
| 372.00 | 30.44 | 400.00 | 100.00 |
| 367.41 | 24.99 | 400.00 | 100.00 |
| 628.00 | 26.90 | 750.00 | - |
| - | 90.00 | - | - |
| 628.00 | 299.69 | 750.00 | - |
| - | 43.31 | - | - |
| 608.00 | 68.30 | 750.00 | - |
| 548.00 | 86.04 | 750.00 | - |
| 1,411.99 | 30.99 | 1,125.00 | 625.00 |
| <u>4,563.40</u> | <u>700.66</u> | <u>4,925.00</u> | <u>825.00</u> |
| <u>15,096.24</u> | <u>4,289.27</u> | <u>16,100.00</u> | <u>2,682.50</u> |

Report on Special Investigation of the
City of Harris

Reimbursements to Robin Baumgarn
For the Period July 1, 2011 through September 30, 2014

| Check Date | Check Number | Per Approved Disbursement Listing | Amount |
|-----------------------|-------------------------|--|---------------|
| 08/10/11 | 9026 | Clerk/Internet/Postage | \$ 30.58 |
| 09/13/11 | 9064 | Clerk/Internet | 24.99 |
| 10/11/11 | 9081 | Clerk/Postage/Internet/Supplies | 35.19 |
| 11/08/11 | 9104 | Clerk/Internet/Supplies | 29.02 |
| 12/13/11 | 9127 | Clerk/Internet/Mileage/Meetings | 95.88 |
| Subtotal for 2011 | | | 215.66 |
| 02/14/12 | 9191 | Clerk/Internet/Ink/Postage/Special Mtg. | 79.72 |
| 03/13/12 | 9212 | Clerk/Postage/Internet | 65.99 |
| 03/14/12 | 9215 | Printer/Ink Cartridge | 181.36 |
| 04/10/12 | 9225 | Clerk/Postage/Internet | 51.49 |
| 05/08/12 | 9239 | Clerk/Postage/Internet | 40.89 |
| 06/12/12 | 9262 | Clerk/Internet | 24.99 |
| 07/10/12 | 9287 | Clerk/Internet | 24.99 |
| 07/10/12 | 9294 | Food Allotment | 150.00 |
| 08/14/12 | 9299 | Clerk/Internet/Mileage | 235.09 |
| 09/11/12 | none * | Clerk/Internet | 24.99 |
| 10/09/12 | 9315 | Clerk/Internet/Mileage | 123.44 |
| 11/13/12 | 9335 * | Clerk/Internet/Filing Fee | 24.99 |
| 12/11/12 | 9361 | Clerk/Internet | 24.99 |
| Subtotal for 2012 | | | 1,052.93 |
| 01/08/13 | 9397 | Internet | 24.99 |
| 02/12/13 | 9414 | Clerk/Internet | 24.99 |
| 02/12/13 | 9417 | Laptop Computer/Mouse/Flash Drive | 439.97 |
| 03/12/13 | 9433 | Clerk/Internet | 24.99 |
| 04/09/13 | 9451 | Clerk/Internet | 24.99 |
| 05/14/13 | 9470 | Clerk/Internet/Mileage/FEMA mtg | 357.66 |
| 06/11/13 | 9499 | Clerk/Internet/Mileage/FEMA mtg | 38.21 |
| 07/09/13 | 9522 | Allowance | 182.00 |

| Improper | Unsupported | Reasonable |
|-----------------|--------------------|-------------------|
| - | 5.59 | 24.99 |
| - | - | 24.99 |
| - | 10.20 | 24.99 |
| - | 4.03 | 24.99 |
| - | - | 95.88 |
| - | 19.82 | 195.84 |
| - | 29.74 | 49.98 |
| - | 41.00 | 24.99 |
| - | 181.36 | - |
| - | 26.50 | 24.99 |
| - | 15.90 | 24.99 |
| - | - | 24.99 |
| - | - | 24.99 |
| - | - | 150.00 |
| - | - | 235.09 |
| - | - | 24.99 |
| - | - | 123.44 |
| - | - | 24.99 |
| - | - | 24.99 |
| - | 294.50 | 758.43 |
| - | - | 24.99 |
| - | - | 24.99 |
| - | - | 439.97 |
| - | - | 24.99 |
| - | - | 24.99 |
| 54.97 | - | 302.69 |
| - | - | 38.21 |
| - | 7.01 | 174.99 |

Report on Special Investigation of the
City of Harris

Reimbursements to Robin Baumgarn
For the Period July 1, 2011 through September 30, 2014

| Check Date | Check Number | Per Approved Disbursement Listing | Amount |
|-----------------------|-------------------------|--|-------------------|
| 08/13/13 | 9546 | Clerk/Internet/Mileage | 255.51 |
| 09/10/13 | 9570 | Clerk/Internet/Postage/Food Allotment | 147.99 |
| 10/08/13 | 9594 | Clerk/Internet/Mileage/Food | 498.01 |
| 11/12/13 | 9616 | Clerk/Internet/Mileage | 300.71 |
| Subtotal for 2013 | | | <u>2,320.02</u> |
| 01/14/14 | 9676 | Clerk/Internet/Supplies | 30.44 |
| 02/11/14 | 9694 | Clerk/Internet/Supplies | 24.99 |
| 03/11/14 | 9718 | Clerk/Internet/Key | 26.90 |
| 03/11/14 | 9719 | Food Allowance | 90.00 |
| 04/15/14 | 9740 | Clerk/Internet/Mileage | 299.69 |
| 04/25/14 | 9747 | Phone Card - On listing to WalMart | 43.31 |
| 05/13/14 | 9764 | Clerk/Internet/Phone Card | 68.30 |
| 06/10/14 | 9787 | Clerk/Internet/Phone Card/Mileage | 86.04 |
| 07/08/14 | 9821 | June & July Meetings/Postage/Internet | 30.99 |
| Subtotal for 2014 | | | <u>700.66</u> |
| Total | | | <u>\$4,289.27</u> |

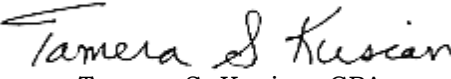
| Improper | Unsupported | Reasonable |
|-----------------|--------------------|-------------------|
| 230.52 | - | 24.99 |
| - | 33.00 | 114.99 |
| - | - | 498.01 |
| 275.72 | - | 24.99 |
| 561.21 | 40.01 | 1,718.80 |
| - | 5.45 | 24.99 |
| - | - | 24.99 |
| - | 1.91 | 24.99 |
| - | - | 90.00 |
| - | - | 299.69 |
| - | - | 43.31 |
| - | - | 68.30 |
| - | - | 86.04 |
| - | 6.00 | 24.99 |
| - | 13.36 | 687.30 |
| 561.21 | 367.69 | 3,360.37 |

Report on Special Investigation of the
City of Harris

Staff

This special investigation was performed by:

Donna F. Kruger, CPA, Manager
Ryan T. Jelsma, Senior Auditor II


Tamera S. Kusian, CPA
Deputy Auditor of State