



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE June 23, 2006

Auditor of State David A. Vaudt today released a reaudit report on the City of Mapleton and Mapleton Municipal Electric (Electric Utility) for the period July 1, 2002 through June 30, 2003. Selected transactions and information for the years ended June 30, 2002, 2004 and 2005 were also reviewed, as noted in the reaudit report. The reaudit was performed as a result of petitions filed with the Office of Auditor of State by a group of residents of the City of Mapleton.

The report includes findings pertaining to the minutes record and publications. The Electric Utility generally did not publish minutes from Board of Trustees meetings and did not publish claims paid on one occasion. The publication of the minutes from Board of Trustees meetings and the claims paid are required to be published by Chapter 388.4(4) of the Code of Iowa. The City did not always publish Council minutes as required by Chapter 372.13(6) of the Code of Iowa. The minutes for both the City and the Electric Utility were not signed and the agendas for each were not detailed enough to apprise the public of the information to be discussed at the meeting. Vaudt recommended the City and Electric Utility comply with the requirements of the Code of Iowa.

Vaudt also recommended the City and Electric Utility establish or modify policies and procedures regarding the payment of bonuses, advance authorization of overtime, personal use of City or Electric Utility property, equipment and facilities by employees and others, nepotism and the documentation of public purpose. The City's and Electric Utility's responses are included in the reaudit report.

Copies of the reaudit report are available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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**CITY OF MAPLETON
AND
MAPLETON MUNICIPAL ELECTRIC**

AUDITOR OF STATE'S REPORT ON REAUDIT

**FOR THE PERIOD
JULY 1, 2002 THROUGH JUNE 30, 2003**

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City of Mapleton and Mapleton Municipal Electric

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Raymond Friedrichsen	Mayor	Jan 2004
Thomas McNamara	Mayor Pro Tem	Jan 2004
Curtis Hesse	Council Member	Jan 2004
Roger Krohn	Council Member	Jan 2004
Jerry Koenigs	Council Member	Jan 2006
Benita Uhl	Council Member	Jan 2006
James Gaukel	Electric Utility Board	Indefinite
Tim Hupke	Electric Utility Board	Indefinite
Joe Christiansen	Electric Utility Board	Indefinite
Roy L. Ridener	City Administrator (contract terminated Jan 2004)	
Mavis Skow	City Clerk	Indefinite
Karla Uhl	Electric Utility Clerk	Indefinite
Glenn Metcalf	Attorney	Indefinite

**City of Mapleton
and
Mapleton Municipal Electric**



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Auditor of State's Report on Reaudit

To the Honorable Mayor, Members of the City Council
and Board of Trustees of the Mapleton Municipal Electric:

We received requests to perform reaudits of the City of Mapleton and Mapleton Municipal Electric (Electric Utility) under Chapter 11.6(4) of the Code of Iowa. The requests for reaudit came from petitions filed with the Office of Auditor of State by a group of residents of the City of Mapleton. As a result, we reviewed the audit reports and workpapers of the City's and Electric Utility's independent auditing firm for the fiscal year ended June 30, 2003. We determined a partial reaudit was necessary in order to further investigate specific issues identified in the requests for reaudit or through our preliminary review. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Mapleton and Mapleton Municipal Electric for the period July 1, 2002 through June 30, 2003. We also reviewed selected transactions and information for the years ended June 30, 2002, 2004 and 2005 as noted.

The procedures we performed are summarized as follows:

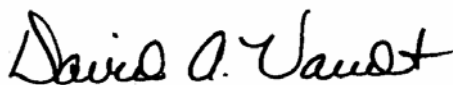
1. We obtained and reviewed the City's and Electric Utility's policies regarding the use of time records, earning overtime and whether supervisory approval was required.
2. We tested certain payroll disbursements for selected Electric Utility employees to determine whether their time records, including overtime, were approved and whether gross pay was properly calculated.
3. We inquired of the Electric Utility whether there was a policy regarding the payment of bonuses, whether any employees received bonuses and whether these bonuses were approved.
4. We inquired how much of the health insurance premium and deductibles were paid by the City and the Electric Utility and whether retired employees were covered under the City's or Electric Utility's policy.
5. We obtained documentation establishing the fire department to determine proper reporting.
6. We reviewed the minutes records for the Electric Utility from July 1, 2002 to June 30, 2003 for compliance with certain requirements of Chapters 21 and 388 of the Code of Iowa.
7. We reviewed the minutes records for the City from July 1, 2002 to June 30, 2003 for compliance with certain requirements of Chapters 21 and 372 of the Code of Iowa.

8. We obtained and reviewed the City's and Electric Utility's policies on personal use of City and Electric Utility property, equipment and facilities.
9. We inquired whether the City or Electric Utility had policies regarding nepotism and whether there were relatives of City or Electric Utility officials or employees working for the City or Electric Utility.
10. We performed procedures for the period July 1, 2002 to May 13, 2005 to review and test selected disbursements for unusual and/or unallowable items and whether the disbursements met the test of public purpose.
11. We inquired about the agreement between the Electric Utility and the Fire Department for a loan to the Fire Department for a new building and whether the Fire Department made required repayments.
12. We inquired whether there were policies regarding revenue generated from City owned property.
13. We inquired whether the City or Electric Utility had policies regarding conflict of interest and inquired about potential conflicts of interest and incompatible positions.
14. We obtained and reviewed the lease with the golf course.
15. We inquired about legal services provided to the City and the Electric Utility.
16. We inquired whether the City and Electric Utility had policies regarding competitive bidding.

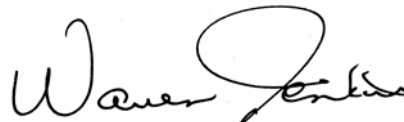
Based on the performance of the procedures described above, we have various recommendations for the City and Electric Utility. Also, certain instances of non-compliance with the Code of Iowa were noted. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, no other items of non-compliance were noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the City of Mapleton and Mapleton Municipal Electric, additional matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by personnel of the City of Mapleton and Mapleton Municipal Electric. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 16, 2005

Detailed Findings

City of Mapleton and Mapleton Municipal Electric

Detailed Findings

July 1, 2002 through June 30, 2003

- (A) Time Records – All employees complete a time record to record hours worked for each pay period, including any overtime worked. The personnel policy states, in part, the time records must be initialed or signed by both the employee and their supervisor. Also, according to policy, overtime must be authorized and properly noted on individual time records. There is no requirement in the policy to document the purpose and need for overtime. Time records are prepared by employees of the Electric Utility, but they are not approved by a supervisor. Therefore, overtime is also not approved.

Recommendation – Time records should be reviewed, approved and initialed or signed by the employee's supervisor according to policy. In addition, the policy should be modified to include a requirement the purpose and need for overtime be documented and overtime should be authorized in advance.

Response – Time records are prepared by employees of the Electric Utility and City employees, but currently are not approved by a supervisor. No overtime is approved by initials. Much of the overtime cannot be authorized in advance due to the nature of the overtime – electric outages, water leaks and breaks, outage of phone or cable TV service. It should be noted what the overtime was for and approved by the supervisor. Policies will be modified.

Conclusion – Response acknowledged. Except for emergency situations, overtime should be approved in advance. Supervisory approval of overtime for emergency situations should be documented on the time record at the time the time record is approved.

- (B) Bonus Payments – The four employees of the Electric Utility received bonuses in December 2002. The Board of Trustees Chairman of the Electric Utility represented this bonus was considered a year end performance bonus and the employees also received a bonus each December for the years 2001, 2003 and 2004. However, the Electric Utility does not have a policy regarding the payment of bonuses and the bonuses were not documented as having been approved in the minutes for any of the applicable years.

Recommendation – The Electric Utility should develop and implement a policy regarding the payment of bonuses. The bonuses should be reviewed and approved by the Electric Utility Board of Trustees each year and approval should be documented in the minutes.

Response – There is currently no policy regarding the payment of bonuses, however, each year the new salary schedule is approved. These bonuses are listed on the bottom of the schedule, with the exception of the one given at the end of December. Policy will be modified and included in minutes.

Conclusion – Response accepted.

- (C) Separately Maintained Records – The Mapleton Volunteer Fire Department maintains accounting records for its operations. The transactions and resulting balances are not recorded in the Clerk’s records.

The City entered into a 28E agreement with the Maple Valley Community School District to assist in providing recreational programs to its students in the summer months. The School District pays \$1,700 per year towards the cost of the recreational programs and the Electric Utility approved paying \$5,000 per year to the Mapleton Little League, all of which are deposited in a separate checking account controlled by the recreation board. The City pays the salary of the Little League Director.

The transactions and resulting balances of these separately maintained accounts are not recorded in the City and/or Utility records. Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, . . .”

Recommendation – In order to demonstrate statutory compliance and improve accountability, financial and budgetary control, all City financial activity and balances should be recorded in the Clerk’s records.

Response – The activity of the fire department and recreational programs should be recorded in the City’s financial reports. We will start showing these in the City’s financial reports.

Conclusion – Response accepted.

- (D) Minutes Record and Publications –

1. Timely Publications – Chapter 388.4(4) of the Code of Iowa states in part, “Immediately following a regular or special meeting of a utility board, the secretary shall prepare a condensed statement of the proceedings of the board and cause the statement to be published in a newspaper of general circulation in the city. The statement must include a list of all claims allowed, showing the name of the person or firm making the claim, the reason for the claim and the amount of the claim.”

A review of the Electric Utility meeting dates and minutes for July 1, 2002 through May 13, 2005 identified the minutes were generally not published although most claims approved were published. However, the claims approved on August 13, 2003 were not published.

Recommendation – The Electric Utility should submit minutes, including all claims approved, for each meeting of the Electric Utility Board of Trustees for publication immediately following a meeting as required by the Code of Iowa.

Response – Minutes of the Electric Utility have not always been published in a timely manner. Minutes were often not published until they were approved at the next regular meeting. Policy will be changed to ensure the minutes and claims are published in a timely manner.

Conclusion – Response accepted.

2. Timely Publications – Chapter 372.13(6) of the Code of Iowa states in part, “Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceedings of the council, including the total expenditures from each city fund, to be published in a newspaper of general circulation in the city.”

A review of the City Council meeting dates and minutes for July 1, 2002 through June 30, 2003 identified five instances when minutes were not published.

Recommendation – The City should submit minutes for each meeting of the City Council for timely publication as required by the Code of Iowa.

Response – Minutes of the City have not always been published in a timely manner. Minutes were often not published until they were approved at the next regular meeting. Policy will be changed to ensure the minutes and claims are published in a timely manner.

Conclusion – Response accepted.

3. Official Signatures – Chapter 380.7 of the Code of Iowa states, in part, the City Clerk shall “authenticate all measures except motions with the Clerk’s signature and certification as to time and manner of publication, if any.” The minutes record for the City included a space for the Mayor and City Clerk to sign. However, the minutes for the City were not always signed. The minutes for the Electric Utility were also not signed.

Recommendation – The minutes records for the City and Electric Utility should be signed to authenticate the record. This appears to the City’s intention since a space is provided for signature.

Response – It is intended for the minutes to be signed although we realize several have not been signed. We will ensure that minutes are signed the month following the meeting.

Conclusion – Response accepted.

4. Closed Meetings – Chapter 21.5 of the Code of Iowa provides the specific purposes a governmental body may hold a closed session. When the City held closed sessions, the City provided a brief description for the closed session(s) but did not always identify the specific statutory section allowing the closed session.

Recommendation – The City should identify the specific statutory authority allowing the closed session, including documentation of the request to close the session or hold an open session.

Response – The City will better define the purpose for a closed session, including the statutory section.

Conclusion – Response accepted.

5. Agendas – Chapter 21.4(1) of the Code of Iowa states, in part, “A governmental body, except township trustees, shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to apprise the public of that information.” The agendas for the City and the Electric Utility were not detailed enough to apprise the public of the information to be discussed at the meeting.

Recommendation – The City and Electric Utility should provide more detail on their agendas for each meeting to apprise the public of the information to be discussed at each meeting.

Response – Agendas posted for meetings should be more detailed to apprise the public of what will be discussed and voted on at the meeting. Some agendas were removed by the previous City Administrator less than 24 hours before the meeting, revised and reposted. That City Administrator is no longer working for the City of Mapleton.

Conclusion – Response accepted.

- (E) Use of City Property, Equipment and Facilities – According to Article III, Section 31 of the Constitution of the State of Iowa, “no public money or property shall be appropriated for local or private purposes.” Also, according to an opinion of the Attorney General dated May 13, 1983, “private use of public property is permissible only if the private use is incidental to a public purpose.”

The City’s policy for use of City equipment states in part “No use of City equipment is allowed without official approval.” Two Electric Utility employees stated they have used equipment for personal use and believed they were allowed to use equipment for personal use as needed. However, the Electric Utility Board of Trustees Chairman and a City Council Member stated they did not know of any employee using equipment for their own personal use. They both also stated the City occasionally uses City equipment to help other people out and provided an example of lifting a sign on a building owned by a City Council Member and lifting an air conditioner on top of the same City Council Member’s building.

In addition, City and Electric Utility employees and equipment were used during business hours to install a sprinkler system on the golf course land leased from the City. The sprinkler system was not purchased by the City or Electric Utility. Two Electric Utility Board of Trustees Members and a City Council Member represented this was in the interest of the community to help out the golf course.

The City has also allowed golf course equipment to be stored in the City Armory. At the time of the reaudit, the City was allowing a local motel to use the Armory for storage while the motel is remodeled. There is currently not a policy on the use of the City Armory.

The approval for the use of City or Electric Utility property, equipment and facilities for any reason other than City or Electric Utility business was not documented nor included in the minutes of the City or the Electric Utility.

Recommendation – The City and Electric Utility should establish policies for mixed public and private usage of public owned property. According to the 1983 opinion of the Attorney General, “private use of public property is permissible only if the private use is incidental to a public purpose.”

If the City or Electric Utility continues to offer employees, equipment or Armory space for use by anyone in the community, they should develop a policy including instructions for requesting the equipment or Armory space and advance approval by the City or Electric Utility. This approval should be in writing and in the minutes record, including documentation of the public purpose served.

In addition, if this practice is continued, the City and Electric Utility should consult legal counsel and insurance agent(s) regarding potential risks and liability to the City and/or Electric Utility.

Response – Policy should be updated and be specific about use of public property for private use.

Conclusion – Response accepted.

- (F) Nepotism – The City and Electric Utility do not have personnel policies regarding nepotism. Chapter 71 of the Code of Iowa states, in part, “It shall hereafter be unlawful for any person elected or appointed to any public office or position under the laws of the state or by virtue of the ordinance of any city in the state, to appoint as deputy, clerk, or helper in said office or position to be paid from the public funds, any person related by consanguinity or affinity, within the third degree, to the person elected, appointed, or making said appointment, unless such appointment shall first be approved by the officer, board, council, or commission whose duty it is to approve the bond of the principal; provided this provision shall not apply in cases where such person appointed receives compensation at the rate of six hundred dollars per year or less.”

Through inquiry and representations of City and Electric Utility officials, the following relationships were disclosed:

- The Electric Superintendent’s son worked part time for the Electric Utility and was paid \$7,293 during the year ended June 30, 2003.
- The Assistant Utility Superintendent’s nephew worked part time for the Electric Utility and was paid \$1,616 during the year ended June 30, 2003.

These individuals were hired by the Electric Superintendent without Board approval. However, on May 13, 2003, the Electric Utility Board of Trustees approved hiring the son and nephew for summer help after the City Administrator brought their employment to the attention of the Electric Utility Board of Trustees. According to payroll records, the son of the Electric Superintendent worked throughout the fiscal year and not just during the summer.

- The Police Chief’s wife was hired for part time help by the Police Chief and was paid \$60 for the year ended June 30, 2003.
- The pool manager’s son was hired for summer help by the pool manager and was paid \$30 for the year ended June 30, 2003.

Recommendation – The employment of the Police Chief’s wife and pool manager’s son do not appear to conflict with Chapter 71 of the Code of Iowa since each of these individuals were paid less than \$600. The City and Electric Utility should develop and implement policies regarding nepotism. Legal counsel should be consulted to determine the disposition of the payments made to the Electric Superintendent’s son and Assistant Utility Superintendent’s nephew.

Response – Policies will be updated regarding nepotism. All hiring will be done by motion of the Utility Board or City Council.

Conclusion – Response acknowledged. The Electric Utility should consult legal counsel to determine the disposition of the payments made to the Electric Superintendent’s son and Assistant Utility Superintendent’s nephew.

- (G) Disbursements – During the review of the Electric Utility disbursements, public purpose, as defined in an Attorney General’s opinion dated April 25, 1979, was not apparent for the following items:

Date	Amount	Vendor/Description
• 2/12/04	\$ 166	Mapleton Press: Good for Community ad promoting Mapleton Municipal Electric
• 5/13/04	200	American Heart Association: Donation for Heart walk
• 7/8/04	270	Mapleton Press: Good for Our Kids – Good for Community ad promoting Mapleton Municipal Electric
• 12/20/04	10,000	Maple Valley School: Donation toward weight room equipment to be used by the public
• 12/20/04	1,650	Kern Sign Advertising: Half the cost of a school sign to be placed near Midwest Health and Wellness giving directions to the Maple Valley School
• 2/10/05	1,300	Kern Sign Advertising: Remaining balance on school direction sign

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Electric Utility Board of Trustees should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Electric Utility should establish written policies and procedures, including the requirement for proper documentation.

Response – Documentation will be provided regarding these disbursements and a policy will be written regarding future payments.

Conclusion – Response accepted.

- (H) Loan Between the Electric Utility and Fire Department – The minutes of the Electric Utility for July 16, 2001 document the approval by the Electric Utility to transfer \$25,700 to the City for a loan to the Fire Department for a new building and requiring repayments of \$2,000 per year. The City holds the title to the building. The Fire Department made three payments totaling \$10,000 when, according to representations from the Fire Chief, the Electric Utility Board of Trustees Chairman and an Electric Utility Board Member, the loan was forgiven. There was no formal agreement signed and the minutes for the Electric Utility did not document discussion or approval of forgiving the loan.

Recommendation – This issue should be reviewed and resolved to formally establish the disposition of the loan. In the future, any loans made by the Electric Utility Board of Trustees should be documented by a signed agreement. Subsequent action, such as forgiving a loan, should be documented in the minutes, including the discussion and approval. The original agreement should be amended to reflect the revisions, if any.

Response – The disposition of the loan to the fire department will be reviewed and any necessary action will be taken.

Conclusion – Response accepted.

- (I) Walnut Tree Revenue – Walnut trees in the golf course parking lot were cut down and sold for \$120, which was deposited with the City. Walnut trees on the golf course were also cut down and sold for \$650, which was deposited in the golf course account. The golf course leases the land from the City. Based upon representations made during the reaudit, the Golf Course manager believed any revenue earned on the golf course belonged to them and not the City.

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

Response – Legal counsel will be consulted regarding this matter.

Conclusion – Response accepted.

- (J) Business Transactions – James Gaukel, Attorney and part owner of Gaukel, Nevins and Westergaard is a member of the Electric Utility Board of Trustees. The Electric Utility paid Mr. Gaukel and the law firm \$22,069 for the year ended June 30, 2003 for services relating to a 28E agreement creating the Mapleton Communications Management Agency.

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction could be a potential conflict of interest since the total transaction exceeded \$2,500 during the fiscal year.

Recommendation – The Electric Utility should consult independent legal counsel to determine the disposition of this matter.

Response –

- (1) The Board is considering obtaining the opinion of independent legal counsel.
- (2) This is a one time issue which will not recur.
- (3) Mr. Gaukel had unique knowledge and qualifications to move the subject communications project to completion in a timely and beneficial manner (which, in fact, happened). He had thirty-five years of experience as a City attorney and approximately ten years in the communications field as an attorney and interested citizen. No other person in the vicinity had that experience, knowledge or insight to lend to the project. His involvement likely saved substantial expense to the utility in completing the system.

The was not a case of utilizing a board position to seek compensation. The work was undertaken, reluctantly, but in the best interests of the City. The Board felt it was doing what had to be done in the most timely manner, using the best tools available. The volume and success of the work made it unfair to accept the benefit without compensation.

Partly as a result of these efforts, the project has provided this City with a 50% share of the communications system (CATV, telephone and high speed internet), which has over a 90% market penetration, is debt free and has provided excellent service to its customers and needed non-tax revenues to the utility and, thence, to the City.

Before and since completion of the project, Mr. Gaukel has provided substantial legal advice to the electric and communications utilities, without compensation.

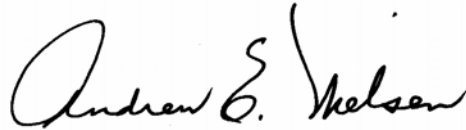
Conclusion – Response accepted.

City of Mapleton and Mapleton Municipal Electric

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Pamela J. Bormann, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Stephanie A. Bernard, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State