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FOR RELEASE _____ October 3, 2006 _____

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Hamburg for the period January 1, 2004 through October 6, 2005. The special investigation was requested by the Fremont County Attorney as a result of concerns regarding certain disbursements made from City funds.

Vaudt reported the special investigation identified \$49,901.83 of disbursements that were improper, unsupported or the public purpose was not documented. The improper disbursements included a \$2,000 check issued to Holliman Auto & Truck Supply, a business owned by the Mayor. According to the Mayor, the check was redeemed for cash to pay a vendor for mud jacking services that were never provided. The \$2,000 was recovered from the Mayor and redeposited to the City's checking account. The improper disbursements identified also included \$1,525.88 for culverts paid for by the City but installed at a local grain elevator. The elevator was subsequently billed for the culverts by a business owned and operated by the Mayor. The Mayor's business, Holliman LTD, received payment for the culverts paid for by the City.

The improper disbursements also included \$13,969.08 of unauthorized overtime costs for the City's police officers and \$5,250.00 paid to the Clerk's daughters for cleaning services. The unsupported disbursements totaled \$16,138.73 and included payments to City employees and payments to vendors. The disbursements for which the public purpose was not documented included \$1,550.00 for gift certificates for holiday turkeys for City employees.

Vaudt also reported the City had not complied with policies regarding the discontinuation of water services for customers that were delinquent. In addition, Vaudt reported the account for the auto parts store owned by the Mayor was delinquent by more than \$1,100. The report includes recommendations to strengthen the City's internal controls and overall operations.

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

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF HAMBURG
FOR THE PERIOD
JANUARY 1, 2004 THROUGH OCTOBER 6, 2005**

Table of Contents

		<u>Page</u>
Auditor of State's Report		3-4
Investigative Summary:		
Background Information		5
Detailed Findings		5-18
Recommended Control Procedures		19-21
Exhibits:	<u>Exhibits</u>	
Summary of Findings	A	23
Unauthorized Overtime Payments to Officer Scott DeLong	B	24
Unauthorized Overtime Payments to Officer Nick Milsap	C	25
Unauthorized Pay Increase for Officer Scott DeLong	D	27
Unsupported Disbursements to Vendors	E	28-29
Unsupported Disbursements to City Employees	F	30-31
Fuel Purchases Exceeding 25.5 Gallons	G	32
Staff		33
Appendices:		
Documents Related to Purchase of 60' of Culvert	1	36-37
Documents Related to Purchase of 130' of Culvert	2	38-39
Invoices from Holliman LTD to Bartlett Grain and Related Payment	3	40-42



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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 the request of the Fremont County Attorney, we conducted a special investigation of the City of Hamburg. We have applied certain tests and procedures to selected financial transactions of the City for the period January 1, 2004 through October 6, 2005. Based on discussions with City personnel and a review of relevant information, we performed the following procedures.

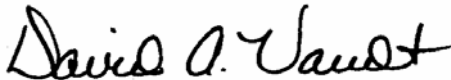
- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Scanned images obtained from the bank of all disbursements from the City's primary checking account to identify any checks issued to unusual payees or for unusual amounts.
- (3) Examined documentation for certain checks issued from the City's primary checking account to determine whether they were appropriate, reasonable, properly approved and properly supported.
- (4) Compared payments to certain vendors with the related bids submitted to and approved by the Council to determine if final payments complied with terms of the bid.
- (5) Analytically reviewed the amount of fuel purchased by the City.
- (6) Examined payroll disbursements to certain City employees to determine if the amounts disbursed were appropriate and supported by timesheets.
- (7) Examined purchases made with the City's credit card to determine whether they were appropriate for the City's operations.
- (8) Confirmed payments made to the City by the State of Iowa and Fremont County to determine whether they were properly deposited to the City's accounts.
- (9) Examined utility billing and collection records to determine whether utility collections were properly accounted for and deposited.
- (10) Examined the utility bill history for City employees' and officials' personal utility accounts to determine whether proper charges were billed to the accounts, to determine whether the proper number of payments had been made and to identify any improper or unsupported adjustments or credits.

These procedures identified \$49,901.83 of disbursements that were improper, unsupported or the public purpose was not documented. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **G** of this report.

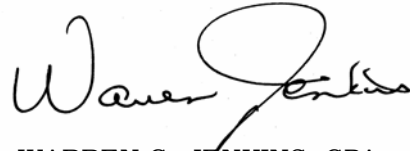
The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Hamburg, other matters might have come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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 24, 2006

City of Hamburg
Investigative Summary

Background Information

In accordance with section 372.14 of the *Code of Iowa*, the mayor of a City is the chief executive officer of the City and presiding officer of the City Council. Except for the supervisory duties which have been delegated by law to a city manager, the mayor is responsible for supervision of all City officers and departments. Terry Holliman is currently serving his second consecutive four-year term as Mayor of the City of Hamburg. His current term will end on December 31, 2008.

Georgann Stephens began employment as the City Clerk for the City of Hamburg on August 16, 1999. As the City Clerk, Ms. Stephens is responsible for:

- 1) Disbursements – check preparation, distribution and posting to the accounting records,
- 2) Utilities – payment collection,
- 3) Other receipts – collection, posting to the accounting records and deposit preparation,
- 4) Reporting – preparation of Council minutes, budget-to-actual analysis and preparation of financial reports.

All City disbursements are to be made by check. Checks are to contain dual signatures and are to be signed by the City Clerk and the Mayor. According to the Clerk, all disbursements are prepared and listed on a claims report that is to be approved by the Council prior to distribution of the checks. However, the City pays certain routine periodic obligations prior to Council approval to ensure timely payment or to take advantage of discounts for prompt payment. Payments are made prior to Council approval for utilities, insurance, payroll taxes and to a local fuel vendor. When a payment is made prior to Council approval, it is to be included on the next claims report to be approved by the Council.

The City also has established an Assistant City Clerk position that is responsible for the preparation of utility billings, collection of payments, posting of accounts and deposit preparation. Until late 2005, the position was held by an individual who had previously been employed by the County Attorney's Office. In 2005, the former Assistant Clerk contacted authorities about concerns regarding certain disbursements of City funds and other City operations. The concerns included checks improperly issued from the City's bank account, the Mayor's delinquent water billing and purchases paid for by the City for goods that were not received.

As a result of the concerns identified, the Fremont County Attorney requested the Office of Auditor of State to conduct an investigation of the City's financial transactions. We performed the procedures detailed in the Auditor of State's Report for the period January 1, 2004 through October 6, 2005.

Detailed Findings

These procedures identified \$49,901.83 of disbursements that were improper, unsupported or the public purpose was not documented from January 1, 2004 through October 6, 2005. All improper disbursements and unsupported transactions are summarized in **Exhibit A** and a detailed explanation of each finding follows.

IMPROPER DISBURSEMENTS

During the course of our investigation, we examined a number of disbursements made from the City's primary checking account and identified several improper disbursements. Each of the improper disbursements is discussed in greater detail in this section of the report.

Holliman Auto & Truck Supply – On June 28, 2005, check number 39905 was issued by the Clerk to Holliman Auto & Truck Supply. The auto parts store is owned and operated by the Mayor. The disbursement was not supported by an invoice or any other type of documentation.

During an interview with a Special Agent of the Division of Criminal Investigation (DCI) on October 6, 2005, the Clerk stated the Mayor called her and requested a \$2,000 check. When the Clerk stated she couldn't issue a City check without proper documentation, the Mayor instructed her to issue a \$2,000 check to the store. According to the Clerk, she prepared the check and gave it to the Mayor without receiving supporting documentation. According to the Clerk, she requested documentation from the Mayor several times before the next Council meeting, but never received any.

During a separate interview on October 6, 2005, the Mayor told the DCI agent the \$2,000 was to pay a contractor to mud jack a sinking manhole on Washington Street. Mud jacking is a process that raises sunken concrete back to its original level. According to the Mayor, the contractor was from Illinois and had been at a construction site for a grain elevator in the City. For \$2,000, the contractor had offered to "take care of" the manhole, located on the corner of the construction site property. During the interview the Mayor stated he agreed to pay the contractor \$2,000 because it was "a bargain." According to the Mayor, the City had previously looked into the repair and it was estimated at \$5,000 to \$7,000. We were unable to determine if the City had obtained estimates for the work.

The Mayor also stated the contractor wanted cash for the mud jacking. As a result, the Mayor stated he instructed the City Clerk to issue a \$2,000 check to the NAPA store. He redeemed the check to have cash to pay the contractor, but the contractor left Hamburg before the mud jacking was done and before the Mayor paid him.

The Mayor was unable to provide the name of the contractor. In addition, the Mayor told the DCI agent the cash from the redeemed check was in an envelope in his house. When asked why he had \$2,000 of city money in his house, the Mayor responded that he was "waiting for the guy to come back."

When asked if the disbursement had already been approved by the City Council, the Mayor responded "I imagine, I don't know for sure. I mean, I don't know... I don't know if it was listed on the minutes. I guess I don't know how Georgann handled it."

During the interview with the DCI agent, the Clerk stated she included the \$2,000 disbursement with the list of other claims provided to the Council and the Council approved the disbursement. When asked if she brought it to the Council's attention, she stated that "it was on the list of claims and the City Council approved it."

Because the signed paper version of the minutes from the June Council meeting was not available, we obtained the electronic version of the minutes which contained the claims report. We reviewed the claims report that was reported to have been provided to the Council at the July 11, 2005 meeting and determined the \$2,000 disbursement was combined with a claim from Holliman Auto & Truck Supply for \$231.04. As a result, it appeared the City had a single \$2,231.04 obligation to the vendor. According to the Clerk, no one on the Council requested additional information about the payment or requested to review the related supporting documentation. The electronic version of the minutes agreed with the minutes that were subsequently published.

Using the claims report, we determined the date each of the disbursements approved by the Council on July 11, 2005 cleared the City's bank account. In addition to the payments for utilities, insurance, payroll taxes and fuel, we identified 3 payments that cleared the bank prior to their approval during the July 11, 2005 meeting. The 3 payments included the \$2,000 check, which was issued and redeemed on June 28, 2005, a \$792.15 payment to a contractor for mowing and an \$80.00 payment to an individual for maintenance of a municipal field. According to the Clerk, all payments for mowing were approved by the Council when they authorized the contract establishing the rate the City would pay for services during the summer of 2005. The Clerk also stated the City has not entered into a contract with the individual for maintenance of the field, but he "needs to receive the money for his services as soon as possible, so she pays him after the work has been done since it is a small amount."

On October 6, 2005, the DCI agent accompanied the Mayor to his home and recovered \$2,000 in cash. According to the Mayor, it was the City's money and he was keeping it at his house because he expected the contractor to return and he just lost track of it. At the DCI agent's urging, the Mayor agreed to return the cash to the City to be redeposited into a City account. However, the Mayor reiterated, if the contractor returned on a weekend to do the work, he wouldn't have access to cash to pay him.

The disbursement was improper because it was issued solely on the instructions from the Mayor and the Clerk issued it without proper support. As a result, the disbursement and the repayment of the funds have been included in **Exhibit A**.

Metal Culverts – On June 10, 2005, check number 39871 was issued by the Clerk to Metal Culverts, Inc. for \$448.95. The related invoice obtained from the vendor is dated May 13, 2005 and shows a pair of culverts measuring 30 feet long and 12 inches in diameter and a 12 inch diameter band (12 inches wide) were shipped to the City on May 12, 2005. The invoice shows the authorized signature for receipt of the material was T. Holliman. Copies of the documents have been included in **Appendix 1**.

The Clerk stated City workers have voiced concerns regarding the payment for the culvert. They saw the disbursement in the published listing of City disbursements. During the interview with the DCI agent, the Clerk stated the City workers told her they had not ordered any metal culverts and they never saw any delivered to the City. She also stated she had heard the metal culverts were used at the grain elevator construction site the Mayor had referred to when discussing the mud jacking.

The purchase of the culverts was also discussed during the Mayor's interview with the DCI agent. During the interview, the Mayor told the DCI agent he had done some work at the grain elevator's construction site, including digging holes, clean up and building roads around the site. In addition, the Mayor told the DCI agent he put a second driveway in at the grain elevator. The Mayor also stated "I didn't feel they was out of line to put another one [driveway] in for 'em; to furnish the tubing to put another one in." The Mayor clarified that City workers did not work on the project. He did the work himself. The Mayor told the DCI agent he was not paid for the labor or the culverts and agreed when the agent asked if he decided the City should donate the culverts. When asked if the "donation" was discussed with the Council, the Mayor stated it was not. He confirmed he decided on his own to provide the culverts.

Using the electronic copy of the Council minutes, we confirmed the payment to the vendor for the culverts was included in the claims report provided to the Council and approved during the June 2005 meeting. The minutes do not include any notation the claim was reviewed in any detail by the Council.

On July 7, 2005, the City issued check number 39950 for \$1,076.93 to Metal Culverts, Inc. for a second purchase of culverts. **Appendix 2** includes copies of the invoice from the vendor that shows the authorized signature for receipt of the material was Russell Welch. According to information obtained from the Sheriff's Office, Mr. Welch was an employee of Holliman LTD at

the time the material was purchased. As illustrated by the **Appendix**, the 130 feet of culverts were picked up in Maryville, MO by Mr. Welch but the purchase was billed to the City of Hamburg.

Appendix 3 contains copies of invoices obtained from Bartlett Grain Company (Bartlett Grain). The invoices were issued by Holliman LTD for materials and labor associated with installation of culverts at Bartlett Grain. As illustrated by the **Appendix**, Holliman LTD billed Bartlett and Company for 60 feet of culvert on invoice number 4190209 and for 130 feet of culvert on invoice number 4190210. Holliman LTD subsequently received payment for the invoices. **Appendix 3** also includes a copy of the check issued by Bartlett Grain to Holliman LTD for the invoices that include the cost of the culvert purchases and related labor.

A representative of the Sheriff's Office asked Mr. Welch to show him the location of the culverts picked up from the vendor. Mr. Welch told the Sheriff the culverts he picked up were billed to the City. When Mr. Welch asked the Mayor why the culverts were paid for by the City, Mr. Welch reported the Mayor stated it was the City's responsibility to ensure the property drained properly.

We discussed the purchase of the culverts with the supervisor of the City's Street Department. According to the supervisor, the purchase was not ordered by the employees of the Department or received by the City. As a result, the 2 purchases totaling \$1,525.88 have been included in **Exhibit A**.

Rock and Sand – The City has made a number of purchases for rock and sand from vendors. Previously, a charge has been assessed to the City for the delivery of the products purchased. However, the Mayor offered to haul the rock for the City at no cost, using equipment from his trucking company. According to the City employee we spoke with, since the Mayor has been delivering the rock for the City, the Mayor has taken some of the City's rock for non-City purposes. The employee also expressed concern about sand delivered for a cement project at the park that subsequently "disappeared."

Because we are not able to determine the amount of rock and sand that was improperly removed from the City's supply, we have not included a dollar amount on **Exhibit A**. However, we disclosed the finding in the **Exhibit** at an undeterminable amount.

Payroll Overpayments – During the Clerk's interview with the DCI agent, she stated mayors prior to Mr. Holliman did not authorize as much overtime as the current Mayor does. She stated it is very noticeable how much overtime is authorized for Officer Nick Milsap. She further stated the Mayor approves the Officers' overtime every time.

City policy 11.0.3.2 states the following:

"All full time employees must fill out a "Request to Work Overtime for "OT001" before working overtime. If a request is not filled out and approved by at least one council member or mayor, OVERTIME IS NOT AUTHORIZED, except under the following conditions: weather related road conditions dictating work or water main breakage causing water shut off to customers. After the fact the "Overtime Request Form" may be complet[ed] the following day. Employees who do not follow these procedures while working for the City of Hamburg will be disciplined following the procedures outlined on Employee Discipline Report Form #DR001."

We analytically reviewed the payroll payments made to all City employees for the period January 1, 2004 through September 15, 2005. Considering job responsibilities of each position, none of the employees' pay varied significantly over the period reviewed, with the exception of the City's police officers. Because of the variances identified, we traced the payments made to the officers to the underlying documentation, including the time sheets prepared by the police officers. As a result of our comparison, we identified the following concerns.

- Officer Bob Davis was paid for a limited amount of overtime during 2004. All of the overtime paid to the officer was supported by a signed timesheet and an overtime request form signed by a City official in compliance with the City's policy.
- Officer Scott DeLong was paid for overtime for 11 pay periods in 2004. For those pay periods, Officer DeLong prepared an overtime request form. However, only 1 was signed by a City official in compliance with the City's policy. In addition, Officer DeLong was paid for overtime for 5 pay periods in 2005. None of the 5 related overtime request forms prepared by Officer DeLong were signed by a City official. The amount paid by the City for the unauthorized overtime totaled \$5,223.60 and is listed by pay period in **Exhibit B**. The total has been included in **Exhibit A**.
- Officer Nick Milsap was paid for overtime for 1 pay period in 2004 for which we were unable to locate an overtime request form. After attending the Law Enforcement Academy in early 2005, Officer Milsap returned to the City and charged overtime during each pay period we reviewed. Overtime request forms were not available or were unsigned for each of the pay periods. The amount paid by the City for the unauthorized overtime totaled \$8,745.48 and is listed by pay period in **Exhibit C**. The total has been included in **Exhibit A**.
- We compared the time recorded on Officer Milsap's timesheet to the amount of time between when he informed the Fremont County Sheriff's Dispatcher he was beginning and ending his shifts. We determined the number of hours recorded on Officer Milsap's timesheets agreed to the number of hours recorded by the Fremont County Sheriff's Office Dispatcher for only 1 of the 12 pay periods between April 1, 2005 and September 15, 2005. There were slight variances for 4 of the pay periods. However, the number of hours on Officer Milsap's timesheet for the remaining 7 pay periods exceeded the number of hours recorded by the Dispatcher by 8 hours or more. **Table 1** summarizes the excess hours reported by Officer Milsap.

We did not identify any significant variances between Officer Milsap's timesheets from the start of his employment in October 2004 through December 2004. During January, February and March of 2005, Officer Milsap attended the Iowa Law Enforcement Academy and did not submit detailed timesheets or check in with the Dispatcher.

Table 1

Pay Period End Date	Number of Hours		
	Per Timesheet	Per Dispatcher	Excess Reported
06/10/05	88.0	79.5	8.5
06/24/05	108.5	88.0	20.5
07/12/05	126.5	109.5	17.0
07/26/05	119.0	106.0	13.0
08/10/05	133.5	113.0	20.5
08/26/05	149.0	108.5	40.5
09/12/05	164.5	117.0	47.5
Total	889.0	721.5	167.5

The excess hours identified in **Table 1** are less than the number of overtime hours reported for each individual pay period by Officer Milsap, with the exception of the pay period ended June 24, 2005. For that pay period, Officer Milsap reported only 11.5 hours of overtime. The remaining difference of 9 hours was reported by the Officer as "normal" time. Because all the overtime reported by Officer Milsap was not authorized

and has already been included in **Exhibit A**, only the cost of the remaining 9 hours has been added to the **Exhibit. Table 2** summarizes that cost.

Description	Amount
Gross pay	\$ 103.50
Employer's Share of Payroll Taxes:	
FICA/Medicare	7.91
IPERS	9.55
Total Cost	\$ 120.96

- While reviewing Officer Milsap's timesheets, we determined he included September 12 and September 13, 2005 on two separate timesheets. Officer Milsap recorded 12 hours for each day on both timesheets and was paid for all hours recorded on each timesheet. As a result, Officer Milsap was overpaid for 24 hours. Because the 24 hours was included in the overtime paid to him based on the first timesheet, the improperly disbursed amount has already been included in **Exhibit A**.
- For the pay period ended March 10, 2005, Officer DeLong's hourly wage rate was increased from \$10 per hour to \$12 per hour. According to the Clerk, in January 2005 the Mayor called her and stated Officer DeLong was "working hard and doing a good job" and he wanted her to give him a \$2.00 per hour raise. The Clerk was unsure if the raise was approved by the Council. We reviewed minutes of Council meetings from November 2004 through April 2005 to determine if the Council discussed or approved the pay increase. We found no mention of increasing Officer DeLong's pay during this time period.

According to the former Assistant Clerk, she was never notified of the pay increase for Officer DeLong. As a result, when she prepared the payroll, she changed the rate of pay back to \$10 per hour. After approximately 2 months, the Clerk noticed the pay rate entered in the payroll system had been returned to \$10 per hour and told the former Assistant Clerk about the change. Beginning with the March 10, 2005 payroll, the Clerk, with the Mayor's knowledge, instructed the former Assistant Clerk to provide backpay to Officer DeLong for the intervening time period.

Because the pay increase was not authorized by the Council, the incremental payments to Officer DeLong were not appropriate. As a result, the \$909.33 of incremental payments have been included in **Exhibit A. Exhibit D** summarizes the incremental pay and the City's share of related payroll costs.

- Scott DeLong was a full-time police officer for the City until April 5, 2005. During his last pay period of employment with the City, he worked 41 hours. The number of hours he worked each day is documented on the timesheet he prepared and we reviewed. However, the Mayor instructed the former Assistant Clerk, who prepared the payroll, to pay the officer for 80 hours. According to the former Assistant Clerk, the payment was not approved by the Council. We reviewed minutes from Council meetings preceding and following the payment and did not find where the additional pay was discussed or authorized.

Table 3 summarizes the total cost to the City for payment of the excess hours. Because the payment was not supported by the officer's timesheet and was not made with the Council's approval, the total cost of \$455.82 has been included in **Exhibit A** as an improper disbursement.

Table 3

Description	Amount
Excess number of hours paid	39
Hourly pay rate [^]	\$ 10.00
Gross pay for excess hours	390.00
FICA & Medicare (7.65%)	29.83
IPERS*	35.99
Total	\$ 455.82

[^] - Net of unauthorized \$2/hour increase granted by the Mayor.

* - Employer's share for police officers was 9.23% from 07/01/04 - 12/31/05

Vacation Buy Back – According to section 6.0 of the City's Employee Handbook, all full time employees are required to take all vacation accumulated by their anniversary date each year. The Handbook specifically states the City "will not buy back vacation time."

On March 2, 2004 a \$1,348.23 check was issued to Officer Bob Davis. According to the Clerk, the payment was to buy back 144 hours of vacation at \$13.01 per hour. The rate used to calculate the payment to the officer was two-thirds of his normal hourly pay rate. According to the Clerk, the buy back was authorized by "a couple of Council members" who had stopped by City Hall at or near the time of the payment. The Clerk stated the entire Council did not approve the disbursement. We reviewed Council minutes from January 2004 through April 2004 to determine if the matter had been discussed by Council, but could find no reference to it.

The gross amount of the payment was \$1,873.44. **Table 4** summarizes the total cost of the transaction to the City. Because the payment did not comply with the Employee Handbook and was not made with the Council's approval, the total cost of \$2,183.48 has been included in **Exhibit A** as an improper disbursement.

Table 4

Description	Amount
Gross amount of payment	\$ 1,873.44
City's share of payroll taxes:	
FICA & Medicare (7.65%)	143.31
IPERS*	166.73
Total	\$ 2,183.48

* - Employer's share for police officers was 8.9% from 01/01/04 - 06/30/04

Mileage Reimbursements – According to the City's Employee Handbook, employees using their personal vehicles for traveling for City purposes are entitled to mileage reimbursement at the "State rate." Prior to July 1, 2005, the State rate was \$.29 per mile. Effective July 1, 2005, the rate increased to \$.34 per mile.

We identified 5 reimbursements to the Clerk for mileage that exceeded the rate established by the Employee Handbook. According to the Clerk, the rate was increased because she discovered the Federal reimbursement rate increased to \$.405 per mile from the previous \$.375 rate. We were unable to identify where the Council approved use of the Federal mileage reimbursement rate.

Table 5 compares the reimbursements to the Clerk at the Federal rate and the authorized State rate. The \$100.10 difference has been included in **Exhibit A**.

Table 5

Check Number	Date of Payment	Number of Miles	Amount Reimbursed	Authorized Amount	Difference
38765	05/13/04	590	\$ 221.25*	171.10#	50.15
38948	07/20/04	90	33.75*	26.10#	7.65
39342	12/13/04	200 ^e	75.00*	58.00#	17.00
39538	02/18/05	70	28.35 [^]	20.30#	8.05
39650	03/24/05	150 ^e	60.75 [^]	43.50#	17.25
Total		1,100	419.10	319.00	\$100.10

* - Reimbursed at \$.375 per mile
[^] - Reimbursed at \$.405 per mile

- Calculated at \$.29 per mile
^e - Estimated mileage

Cement Job – According to the minutes of the July 11, 2005 Council meeting, the Council approved a bid submitted by Jack Ziolkowski, doing business as Pouring the Way Concrete, for cement work to be done at the City Park for \$11,984. The bid submitted by Mr. Ziolkowski specified \$6,100 would be due at the start of the job if the bid was accepted. The Council minutes also referred to a \$21,520 bid by another contractor that was submitted for the job, but was not accepted.

We reviewed the payments to Mr. Ziolkowski and determined he was paid \$6,100 on July 18, 2005 and \$6,179.34 on August 1, 2005. However, the City also paid \$404.66 for project materials that Mr. Ziolkowski charged to the City’s account at Menards. The statement from Menards to the City contains a hand written notation that the \$404.66 was deducted from the payment to Mr. Ziolkowski. Neither the Clerk nor the former Assistant Clerk were able to provide documentation showing a final bill from Mr. Ziolkowski and where the \$404.66 had been deducted from the amount he submitted for payment.

Because the bid did not specify “Labor only,” the City would not be expected to provide supplies or materials for the job. **Table 6** summarizes the project costs and compares it to the bid amount to determine the excess costs. The \$700 of excess cost associated with this project has been included in **Exhibit A**.

Table 6

Description	Amount
Amounts paid to Mr. Ziolkowski:	
Check #39974, 07/18/05	\$ 6,100.00
Check #40008, 08/01/05	6,179.34
Paid to Menards	404.66
Total payments	12,684.00
Less: bid amount	11,984.00
Excess cost	\$ 700.00

Disbursements to Related Parties – During the period January 1, 2004 through October 6, 2005, the City disbursed \$4,112.50 to J & B Enterprise and \$1,137.50 to JL Kraft for cleaning services. According to the Clerk, services provided by J & B Enterprise and JL Kraft are performed by her daughters Jacque and Jan, respectively. We were unable to determine if the Council authorized the Clerk to hire her daughters.

Not all of the payments were supported by some type of documentation. Only 9 of the 22 payments to J & B Enterprises and 7 of the 12 payments to JL Kraft were supported by some type of documentation. For those payments, the supporting documentation varied and consisted of pieces of scrap paper, post-it notes and a few City of Hamburg employee timesheets. Because these payments were made to a contractor rather than an employee, an invoice or billing document should be required. Contractors should not use city employee time sheets. No invoices from the vendors were found. The supporting documentation often did not include dates of service, only the amount paid and to whom it was paid. Often, both vendors were written on the same document.

According to the Clerk, she prepares the supporting documentation for the payments to her daughters. Her daughters would come to City Hall and clean on the weekends and make a notation on her desk calendar of when they cleaned. A regularly scheduled cleaning time had not been established. From her desk calendar, the Clerk prepared the documentation to support the payments made to her daughters. When we asked to examine her desk calendar, the Clerk told us she disposes of it at the end of the month. The Clerk also stated the dates of service weren't included in the supporting documentation because she did not transfer the dates to the paper she used as support.

The Clerk stated the cleaning services were not competitively bid because any services costing less than \$2,500 per year is not required to be bid. One of these vendors, J & B Enterprise, was paid more than \$2,500 during the fiscal year ended June 30, 2004, as shown in **Table 7**. However, the City did pay more than \$2,500 per year for cleaning services during the fiscal years ended June 30, 2004 and 2005. It seems unusual for a City to have 2 different cleaning services working during the same period. It appears the cleaning services may have been split between the Clerk's daughters to avoid the threshold.

Table 7

Vendor	Fiscal Year Ended		Total
	06/30/04	06/30/05	
J & B Enterprise	\$ 2,727.50	2,375.00	5,102.50
JL Kraft	1,242.50	420.00	1,662.50
Total	\$ 3,970.00	2,795.00	6,765.00

When we reviewed the payments to these vendors, we identified instances in which both vendors were paid on the same date. When we asked the Clerk about this, she stated that she was unsure why this would happen, but if both vendors cleaned during the same week, she would issue them each a check. We also identified payments that varied from the typical \$55 per cleaning. When we asked the Clerk why this would occur, she explained that when both daughters would clean in the same week, she would pay them each \$30 rather than \$27.50 because it was easier to make the payment a round number. She also stated she paid her daughters \$80 when they cleaned the floors in addition to their normal duties.

According to the Clerk, her daughter Jan (JL Kraft) lives in Hamburg. Her other daughter, Jacque lives in Creston and travels approximately 100 miles to clean the City Hall in Hamburg. When asked why she had not disclosed her relationship with these vendors to the City's certified public accounting (CPA) firm for disclosure in the City's audit reports for the fiscal year ended June 30, 2002 or 2003, she stated she was not aware she was required to. The City's audit reports and related workpapers have included disclosures regarding other vendors with a relationship with a City employee or official.

The \$4,112.50 and \$1,137.50 disbursed to J & B Enterprise and JL Kraft, respectively, during the period of January 1, 2004 through October 6, 2005 have been included in **Exhibit A** as improper disbursements because the payments to the vendors were not properly supported by appropriate documentation and the Clerk procured the cleaning services from her daughters.

The City also routinely purchases supplies from the NAPA Auto Parts store which is owned by the Mayor. The store is identified as Holliman Auto & Truck Supply in the City's vendor records. The Mayor also owns a trucking company known as Holliman, Ltd. The City also periodically purchases services from Holliman Service Center, an automotive center owned and operated by the Mayor's brother.

We reviewed the supporting documentation for payments made by the City to these businesses. With the exception of 1 payment to Holliman Service Center and 2 payments to Holliman Auto & Truck Supply, all the payments were properly supported. The unsupported payments are included in **Exhibits A** and **E**.

The City's transactions with the Mayor's businesses were properly disclosed in the City's audit reports. However, the payments to his brother's business were not.

Fuel Purchases – During the Clerk's interview with the DCI agent, she stated a former police officer used a City credit card to purchase fuel for a personal vehicle. The Clerk stated she reviewed receipts for fuel purchases and noticed the amount of gas pumped by the officer at one time was more than what the tank for the City vehicle would hold. She also stated she was told by other people the officer was observed filling up the police vehicle, then his wife would drive up and he would continue filling the tank of his personal vehicle at the same time. The Clerk reported she brought this matter to the Mayor's attention, but he didn't respond.

We reviewed the fuel purchases paid for by the City and compared the purchases to the expected needs of the City. The City has several pieces of equipment that require diesel fuel as well as 2 pick-up trucks. One truck is used by the Maintenance Department; the other is used by the Police Department. The credit cards used to make fuel purchases are not unique to the individual carrying the card or the vehicle for which fuel is purchased.

We did not identify any unusual purchases of diesel fuel. For the non-diesel fuel purchases we reviewed, we identified a number of transactions that appear unusual. For instance, we identified a number of days during which 2 purchases of fuel occurred. Because the City had 2 vehicles using non-diesel fuel, the purchases may have been appropriate. However, we also identified several days for which more than 2 purchases were made. The transactions summarized in **Table 8** illustrate that over 300 gallons of unleaded fuel were purchased during the 9 days between August 26, 2004 and September 3, 2004. Given that the truck used by the Police Department is a 2003 Ford F150 with a 25 gallon tank and the Maintenance truck is similar, this is an unusually high amount of fuel to be purchased during such a short time period.

Table 8

Vendor	Transaction Date	Number of Gallons Purchased	Cost
Casey's	08/26/04	36.41	\$ 65.50
Casey's	08/26/04	26.26	47.24
Holt	08/26/04	24.75	45.52
Casey's	08/27/04	21.63	38.91
Holt	08/27/04	25.00	45.97
Holt	08/27/04	14.48	26.63
Casey's	08/30/04	11.51	20.71
Holt	08/30/04	25.02	46.01
Casey's	09/01/04	11.31	20.00
Holt	09/01/04	26.61	47.07
Casey's	09/02/04	16.14	28.56
Holt	09/02/04	25.13	44.45
Hamburg Oil	09/03/04	21.20	40.00
Hamburg Oil	09/03/04	17.60	33.30
		303.05	\$ 549.87

In addition, we identified 38 purchases of unleaded fuel between January 1, 2004 and August 24, 2005 that exceeded the 25 gallon capacity of the tanks on the trucks owned by the City. The purchases exceeding 25.5 gallons have been listed in **Exhibit G** and total 1,184.81 gallons at a cost of \$2,270.07. City personnel were unable to provide an explanation for the unusual purchases. Because we are unable to determine what portion, if any, of these purchases were appropriate for the City, they have been included in **Exhibit A** as an improper disbursement of an undeterminable amount.

Duplicate Payments – As we reviewed the disbursements made from the City’s checking account, we identified 2 duplicate payments that had been made to 2 vendors. In late January 2004, expenses of \$461.45 were incurred at Benefiel Truck Repair & Towing. The total charges were applied to the City’s account and paid with a City check issued on February 10, 2004. The charges appeared on a subsequent billing from the vendor and were paid again with a City check on May 11, 2004. A credit for the amount has not appeared on any subsequent statements we reviewed from the vendor at the City’s administrative office. The total of \$461.45 has been included in **Exhibit A** as an improper disbursement because it should not have been paid twice.

In addition, the Clerk issued a duplicate payment to another vendor for the purchase of fill sand. On September 9, 2005, the Clerk issued check number 40126 to Hallett Materials for \$321.80. On September 16, 2005, she issued a second check to the same vendor for the same amount. The second payment was credited to the City’s account and has not been included in **Exhibit A**. In both instances, it appears the Clerk has issued payments based on monthly statements from the vendor rather than invoices for individual purchases.

Clothing Allowance – In September 2004, check number 39083 was issued to the Clerk for \$1,500. According to the Clerk, this payment was a clothing allowance. A similar \$1,500 payment was identified in November 2003. In addition, \$1,500 checks were issued in November 2003, September 2004 and September 2005 to the former Assistant Clerk.

During her interview with the DCI agent, the Clerk stated she was looking at the clothing allowance the City's police officers get and decided to add up what she spent in clothing each year. She stated she arrived at the figure of \$1,500 per year. She also stated she asked the Mayor if she and the former Assistant Clerk could receive a \$1,500 clothing allowance each year and he told her yes. She also stated "Maybe this was wrong." She explained because the City's police officers got clothing allowance, she thought she should get it too. However, the City's police officers are required to wear a specified uniform. The City's administrative staff is not required to wear a uniform or any type of protective footwear or other equipment. As a result, the Clerk's comparison is not valid.

We reviewed Council minutes and could not locate any discussion or approval of the clothing allowances provided to the Clerk and former Assistant Clerk. As a result, the \$4,500 distributed during the period of our review has been included in **Exhibit A**.

UNSUPPORTED DISBURSEMENTS

For each of the disbursements selected for testing, we reviewed available supporting documentation to determine whether the transaction was appropriate for City operations or whether it was personal in nature. However, supporting documentation could not be located for a number of the disbursements. For these disbursements, we inquired of the Clerk and the former Assistant Clerk as to the propriety. We also reviewed Council minutes for discussion of the disbursement. While the disbursements were included in the claims lists presented to the Council, we have no assurance the Council knew what the disbursement was for.

We were unable to review supporting documentation for 47 of the 244 disbursements tested for the period January 1, 2004 through October 6, 2005. The unsupported disbursements to vendors have been listed in **Exhibit E**. Based on the vendor, amount of the payment and the frequency of disbursements to the vendor, none of the disbursements appear unreasonable for City operations. However, as illustrated by the **Exhibit**, some of the payments have previously been included in **Exhibit A** because they are improper.

In addition, the unsupported disbursements to the Clerk and former Assistant Clerk have been listed in **Exhibit F**. Based on information provided by the Clerk, it appears some of the disbursements were for reimbursement of medical expenses that may be eligible to be repaid to the City employees from the Employee Insurance Fund (EIF). Other reimbursements may have been related to travel costs or supplies. However, without supporting documentation, we are unable to determine the propriety of the reimbursements. Like **Exhibit E**, some of the payments included in **Exhibit F** have previously been included in **Exhibit A**. The remaining unsupported disbursements of \$14,613.83 and \$1,524.90 have been included in **Exhibit A**.

PUBLIC PURPOSE

According to an Attorney General's opinion dated April 25, 1979, it is possible for certain expenditures 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 improper purpose is very thin.

We reviewed certain payments made by the City during the period January 1, 2004 through October 6, 2005 to determine if they may meet the test of public purpose. In addition to the concerns previously discussed, we identified the following instances where a proper public purpose was not documented:

Gift certificates for City Employees – In November 2004, check number 39283 was issued to Hamburg Market for \$600. The City purchased gift certificates for turkeys to distribute to City employees.

In addition, in December 2004, check number 39344 was issued to the City of Hamburg for \$950. The payment was handled as a petty cash transaction to purchase gift certificates for turkeys to distribute to City employees for the holidays. A similar \$900 payment was identified in December 2003.

The \$1,550 of payments made in November and December of 2004 have been included in **Exhibit A**.

Flowers – In February 2004, the City issued check number 38494 to a local florist for \$37. The payment was for a floral arrangement sent to the Mayor. The payment has been included in **Exhibit A**.

CITY OPERATIONS

In addition to disbursements made from the City's checking account, we reviewed the City's operations and administrative processes to determine if proper controls were in place. We identified the following concerns.

Vacation Accrual – As stated previously, section 6.0 of the City's Employee Handbook requires all full time employees to use vacation accumulated by their anniversary date each year. We identified several instances when employees were allowed to accumulate and carry more than the amount of vacation allowed by the Employee Handbook. According to the Clerk, some of the City employees were not aware of the requirement and Council's consent had been secured to allow the vacation to be carried over. During our review of Council minutes, we did not find where Council had discussed the matter or moved to allow an exception to the requirement established by the Employee Handbook. Because the City has not yet improperly disbursed funds due to the accrual of additional vacation, no costs have been included in **Exhibit A**.

Purchase Orders – When purchase orders are used, they help ensure purchases are properly approved by appropriate parties before their acquisition. They also allow a party independent of the purchase to compare the prior approval to the subsequent invoice to ensure the purchase was appropriate in quantity, price and description.

During our investigation, we reviewed a partially used book of purchase orders maintained in the City's administrative office. The book contained only 7 purchase orders that contained any information. According to the former Assistant Clerk, the book can be used by any City official or employee to request a purchase. Of the 7 purchase orders, we identified the following.

- 2 did not identify a vendor,
- 3 did not include a date,
- 3 did not identify the requestor,
- 3 did not include a description of the item requested,
- 1 included a dollar amount. The purchase order was dated the same day as the invoice and contained the exact amount of the purchase. It appears the purchase order was prepared after the purchase was made.

Because the purchase orders were not properly completed, we were not able to compare them to subsequent purchases to ensure their propriety.

Delinquent Utility Accounts – In accordance with the City's Code of Ordinances, water service to delinquent customers is to be discontinued after notice is provided to the customer by the Clerk. In addition to the unpaid balance, a delinquency fee of \$10 is to be charged before service is restored to a delinquent customer.

We reviewed the City’s Delinquent Account Listing dated June 17, 2005. The listing was approximately 3½ pages long and contained a number of accounts with delinquencies that appeared several months old. According to the former Assistant Clerk, she had been calling customers to remind them about their delinquent accounts. She also stated some customers had come to City Hall and signed agreements to pay their current month’s utility bill plus an extra amount to reduce their delinquency. Also, utility employees had put notices on customers’ doors instructing them to contact the City to make arrangements for payment or their water service would be discontinued. However, the former Assistant Clerk and other City staff also reported it was difficult for the City to enforce the shut off policy because, in some instances, 1 water line will provide service to several homes and the City is not able to discontinue service to just 1 home without affecting others on the same line.

During the Clerk’s interview with the DCI agent, she stated the Mayor often does things that she doesn’t feel should be done. She provided an example of delinquent customers for City water. She stated the City has discontinued service only to have the customer contact the Mayor who would order their service be restored.

The Delinquent Account Listing we reviewed was the most current available at the time of our fieldwork and it contained several City officials and an employee. **Table 9** summarizes selected information from the City’s June 17, 2005 Delinquent Account Listing. During his interview with the DCI agent, the Mayor stated his service would likely have been shut off if he had not been the Mayor. We did not identify any unusual transactions or adjustments for the accounts of City officials or employees.

Table 9

Per 06/17/05 Delinquent Account Listing		
Customer Name	Delinquent Amount	# of Times Delinquent in Last 12 Months
Terry Holliman*	\$ 1,162.20	12
Greg Moore^	37.43	9
James Lucas^	105.19	8
Dan Aspedon ^e	308.28	12

* - Mayor (account is for the auto parts store)

^ - Council Member

^e - City employee

Recommended Control Procedures

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

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible. The City Clerk has control over each of the following areas for the City:
- (1) Cash – preparation of bank account reconciliations, recording of cash transactions and custody.
 - (2) Receipts – collecting, depositing, journalizing and posting non-utility collections.
 - (3) Disbursements – check preparation, check signing, distribution and posting.
 - (4) Payroll – check preparation, check signing, distribution and posting.
 - (5) Financial reporting – preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and date of the review.

- (B) Disbursements – Certain disbursements were not supported by invoices or other appropriate documentation. In addition, no one independent of preparation of disbursements reviewed the supporting documentation. Council members review a listing of disbursements to which they provide their approval. However, according to the Clerk, no one on the Council has ever questioned the bills presented for approval each month.

We also identified disbursements supported only by monthly statements rather than individual invoices. As discussed previously in the report, this practice allowed for duplicate payments to be issued for 2 instances we identified.

Recommendation – All disbursements should be supported by appropriate, detailed documentation and approved prior to payment, with approval documented in the Council minutes. In addition, all checks should be reviewed by an independent individual. The review should include comparing invoices and supporting documentation to the check. The independent reviewer should then countersign the check before distribution.

- (C) Questionable Disbursements – Article III, section 31 of the Iowa Constitution, as interpreted by the Attorney General, requires public funds be spent for the public benefit. As stated in the previous finding, supporting documentation was not available for a number of disbursements we reviewed. As a result, we were not able to determine the propriety of the disbursements or determine if they met the test of

public purpose as required by the Iowa Constitution, as defined in an Attorney General's Opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – The public purpose served by disbursements should be appropriately documented prior to the disbursement of public funds. According to the Attorney General's Opinion, it is possible for certain expenditures 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 improper purpose is very thin. Purchases and disbursements of public funds should be made pursuant to established City practices and statutory requirements.

In addition, the Council should establish written policies and procedures for establishing the public purpose of disbursements, including the requirement for proper documentation.

- (D) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled in a timely manner. In addition, the City has allowed delinquent accounts and not complied with City ordinances regarding lack of payment.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies in a timely manner. The Council should review the reconciliation, monitor delinquencies and ensure compliance with established ordinances regarding delinquencies. If the existing ordinances are determined by the Council to be inappropriate or unenforceable, they should be properly modified.

- (E) Purchase Orders – As stated previously, when purchase orders are used, they help ensure purchases are properly approved by appropriate parties before their acquisition. They also allow a party independent of the purchase to compare the prior approval to the subsequent invoice to ensure the purchase was appropriate in quantity, price and description. During our review, we determined the purchase orders prepared by City employees and officials were not complete and did not provide the information necessary to provide these controls.

Recommendation – Procedures should be implemented to ensure purchase orders are prepared in a complete manner that allows individuals independent of the purchasing process to ensure the purchases, the quantities obtained and the prices paid are appropriate.

- (F) Overtime Payments – The City has a written policy that all overtime is to be requested and approved by a City official as documented on the overtime request form. We identified a number of instances in which an overtime request form was not available or was not properly approved.

Recommendation – Procedures should be implemented to ensure compliance with the City's policy.

- (G) Fuel Cards – Certain City employees are authorized to purchase fuel for City vehicles using a fuel card at local vendors. Supporting documentation we reviewed did not contain the signature of who made the purchase, what vehicle the purchase was for or any other details of the transaction. In addition, logs were not maintained for vehicles to support the purchases.

Recommendation – Procedures should be implemented to ensure purchases made with the fuel cards can be substantiated. Individual sales receipts should be maintained and submitted to the Clerk, logs should be prepared and credit card charge slips should be signed by the purchaser.

In addition, the City should consider the feasibility of assigning separate credit cards to individual City employees to ensure accountability for individual purchases.

- (H) Approval of Disbursements – During our review, we identified several disbursements and actions taken by the Mayor that should have been presented to and approved by the Council. These included the “donation” of metal culverts to a local grain elevator and an increase to a police officer’s hourly wage.

Recommendation – The Clerk and Council should take an active role in ensuring all disbursements and related actions are properly discussed, reviewed and approved by the Council. Such discussion and subsequent action should be properly documented in the minutes of each Council meeting.

- (I) Cleaning Services and Other Related Party Transactions – During our review, we determined the Clerk authorized her daughters to provide cleaning services to the City. The services were not open to bid by other vendors or contractors. In addition, the Clerk established the amount paid to her daughters without the Council’s approval.

Recommendation – Procedures should be implemented to ensure all goods and services procured by the City are properly bid or obtained in a manner that does not bring into question their propriety. If goods or services are obtained from a party related in fact or appearance to a City employee or official, the Council should address the situation during a Council meeting and clearly document how the public interest is served by obtaining the goods or services from the related party. In addition, all related party transactions should be clearly disclosed in the City’s audit report.

- (J) Vacation Accrual – As stated previously, section 6.0 of the City’s Employee Handbook requires all full time employees to use all vacation accumulated by their anniversary date each year. We identified several instances when employees were allowed to accumulate and carry more than the amount of vacation allowed by the Employee Handbook. According to the Clerk, some of the City employees were not aware of the requirement and Council’s consent had been secured to allow the vacation to be carried over.

Recommendation – Procedures should be implemented to ensure compliance with the City’s policy. If the Council finds the current policy is not appropriate or does not serve the City’s interest, the policy should be revised in a timely manner.

- (K) Mileage Reimbursement Rate – According to the City’s Employee Handbook, employees using their personal vehicles for traveling for City purposes are entitled to mileage reimbursement at the “State rate.” We identified reimbursements to the Clerk for mileage that exceeded the rate established by the Employee Handbook.

Recommendation – Procedures should be implemented to ensure compliance with the City’s policy. If the Council finds the current policy is not appropriate or does not serve the City’s interest, the policy should be revised in a timely manner.

Exhibits

Special Investigation of the
City of Hamburg

Summary of Findings
For the period January 1, 2004 through October 6, 2005

Description	Exhibit / Table / Page Number	Amount
Improper Disbursements:		
Holliman Auto & Truck Supply	Page 6, 7	\$ 2,000.00
Metal Culverts	Page 7, 8	1,525.88
Rock and Sand	Page 8	Undeterminable
Payroll Overpayments:		
Unauthorized overtime payments:		
Officer DeLong	Exhibit B	\$ 5,223.60
Officer Milsap	Exhibit C	8,745.48
Excess hours for Officer Milsap	Table 2	120.96
Unauthorized pay increase for Officer DeLong	Exhibit D	909.33
Excess payroll payment	Table 3	455.82
Vacation buy back	Table 4	2,183.48
Mileage Reimbursements	Table 5	100.10
Cement Job	Table 6	700.00
Related Parties:		
J & B Enterprise	Page 13, 14	4,112.50
JL Kraft	Page 13, 14	1,137.50
Fuel Purchases	Page 14, 15	Undeterminable
Duplicate payment	Page 15	461.45
Clothing Allowances	Pages 15 and 16	4,500.00
Total Improper Disbursements		\$ 32,176.10
Unsupported Disbursements:		
To Vendors	Exhibit E	14,613.83
To City Employees	Exhibit F	1,524.90
Total Unsupported Disbursements		16,138.73
Public Purpose Not Documented:		
Gift Certificates for City Employees	Pages 16 and 17	1,550.00
Flowers sent to the Mayor	Page 17	37.00
Total Disbursements for which Public Purpose was Not Documented		1,587.00
Total		49,901.83
Less:		
Redeposit of proceeds	Page 6, 7	(2,000.00)
Total		\$ 47,901.83

Exhibit BSpecial Investigation of the
City of Hamburg

Unauthorized Overtime Payments to Officer Scott DeLong

For the period January 1, 2004 through October 6, 2005

<u>Check Date</u>	<u>Number of Unauthorized Overtime Hours</u>	<u>Gross Pay</u>	<u>City's Share of Payroll Taxes</u>		<u>Total Cost</u>
			<u>FICA & Medicare</u>	<u>IPERS</u>	
01/14/04	9.0	\$ 128.25	9.81	11.41	149.48
03/25/04	2.0	28.50	2.18	2.54	33.22
04/12/04	5.5	78.38	6.00	6.98	91.35
06/10/04	3.5	49.88	3.82	4.44	58.13
09/27/04	19.0	285.00	21.80	26.31	333.11
10/12/04	26	390.00	29.84	36.00	455.83
10/26/04	5.0	75.00	5.74	6.92	87.66
11/10/04	42.0	630.00	48.20	58.15	736.34
11/24/04	20.0	300.00	22.95	27.69	350.64
12/10/04	26.5	397.50	30.41	36.69	464.60
12/28/04	47.5	712.50	54.51	65.76	832.77
01/12/05	12.0	180.00	13.77	16.61	210.38
02/10/05	35.0	525.00	40.16	48.46	613.62
02/23/05	3.0	45.00	3.44	4.15	52.60
03/10/05	27.0	405.00 ^	30.98	37.38	473.36
03/24/05	16.0	240.00 ^	18.36	22.15	280.51
Total		\$ 4,470.00	341.96	411.64	5,223.60

^ The gross amount is net of the unauthorized hourly increase granted by the Mayor. See page 10.

Special Investigation of the
City of Hamburg

Unauthorized Overtime Payments to Officer Nick Milsap

For the period January 1, 2004 through October 6, 2005

Check Date	City's Share of Payroll Taxes				
	Number of Unauthorized Overtime Hours	Gross Pay	FICA	IPERS	Total Cost
11/10/04	31.5	\$ 511.25	39.11	47.19	597.54
04/12/05	4.0	69.16	5.29	6.38	80.83
04/26/05	19.5	337.16	25.79	31.12	394.07
01/10/05	6.5	112.39	8.60	10.37	131.36
05/24/05	27.0	466.83	35.71	43.09	545.63
06/10/05	14.5	250.71	19.18	23.14	293.02
06/27/05	11.5	198.84	15.21	18.35	232.40
07/12/05	71.0	1,182.15	90.43	109.11	1,381.70
07/26/05	45.0	749.25	57.32	69.16	875.72
08/10/05	23.0	382.95	29.30	35.35	447.59
08/26/05	72.0	1,198.80	91.71	110.65	1,401.16
09/12/05	69.5	1,157.18	88.52	106.81	1,352.51
09/27/05	52.0	865.80	66.23	79.91	1,011.95
Total	447.0	\$ 7,482.44	572.41	690.63	8,745.48

City of Hamburg

Special Investigation of the
City of Hamburg

Unauthorized Pay Increase for Officer Scott Delong

For the period January 1, 2004 through October 6, 2005

Description	Check Date			Total
	03/10/05	03/24/05	04/12/05	
Regular Hours Claimed:				
Number of Hours	86.00	96.00	80.00	
Excess Pay per Hour	\$ 2.00	2.00	2.00	
Gross Unauthorized Regular Pay	172.00	192.00	160.00	524.00
Overtime Hours Claimed:				
Number of Hours	27.00	16.00	-	
Excess Pay per Hour	\$ 3.00	3.00	3.00	
Gross Unauthorized Overtime Pay	81.00	48.00	-	129.00
Backpay	-	125.00	-	125.00
Total Unauthorized Gross Pay	253.00	365.00	160.00	778.00
City's Share of Payroll Taxes	19.35	27.92	12.24	59.52
City's Share of IPERS	23.35	33.69	14.77	71.81
Total Unauthorized Cost	\$ 295.71	426.61	187.01	909.33

Exhibit ESpecial Investigation of the
City of Hamburg

Unsupported Disbursements to Vendors

For the period January 1, 2004 through October 6, 2005

Per the Check					
Check Number	Date	Payee	Amount of Check	Amount Already in Exhibit A	Net Amount
38397	01/13/04	JL Kraft	\$ 165.00	165.00	-
38398	01/13/04	J & B Enterprise	110.00	110.00	-
38594	03/09/04	JL Kraft	85.00	85.00	-
38595	03/09/04	J & B Enterprise	250.00	250.00	-
38780	05/24/04	Toby Crain	1,071.50	-	1,071.50 ^^
38840	06/11/04	J & B Enterprise	275.00	275.00	-
38861	06/22/04	Toby Crain	1,071.50	-	1,071.50 ^^
38935	07/13/04	J & B Enterprise	275.00	275.00	-
38998	08/06/04	Utility Equipment	1,793.98	-	1,793.98
39080	08/27/04	Toby Crain	1,071.50	-	1,071.50 ^^
39089	09/09/04	Kiwanis	500.00	-	500.00 #
39199	10/12/04	J & B Enterprise	165.00	165.00	-
39226	10/22/04	Mastercard	214.71	-	214.71
39265	11/05/04	Municipal Supply	1,474.41	-	1,474.41
39269	11/09/04	American Concrete	393.75	-	393.75
39294	11/23/04	Mastercard	46.94	-	46.94
39356	12/13/04	J & B Enterprise	220.00	220.00	-
39368	12/15/04	ATD	378.00	-	378.00 #
39374	12/20/04	Hy-Vee	695.15	-	695.15 *
39430	01/10/05	Holliman Service Center	258.59	-	258.59 **

Special Investigation of the
City of Hamburg

Unsupported Disbursements to Vendors

For the period January 1, 2004 through October 6, 2005

Per the Check					
Check Number	Date	Payee	Amount of Check	Amount Already in Exhibit A	Net Amount
39519	02/11/05	J & B Enterprise	110.00	110.00	-
39597	03/14/05	JL Kraft	55.00	55.00	-
39598	03/14/05	J & B Enterprise	55.00	55.00	-
39738	05/02/05	Toby Crain	2,171.43	-	2,171.43 ^^
39768	05/06/05	JL Kraft	115.00	115.00	-
39769	05/06/05	J & B Enterprise	115.00	115.00	-
39818	05/26/05	Toby Crain	1,467.86	-	1,467.86 ^^
39849	06/10/05	Holliman Auto & Truck Supply	420.21	-	420.21
39871	06/10/05	Jack Zilkowski	650.00	650.00	-
39880	06/14/05	Jack Zilkowski	588.00	588.00	-
39905	06/28/05	Holliman Auto & Truck Supply	2,000.00	2,000.00	-
39919	07/06/05	J & B Enterprise	165.00	165.00	-
40005	08/01/05	Toby Crain	792.15	-	792.15 ^^
40058	08/09/05	J & B Enterprise	220.00	220.00	-
40104	09/01/05	Toby Crain	792.15	-	792.15 ^^
40135	09/09/05	JL Kraft	30.00	30.00	-
40136	09/09/05	J & B Enterprise	195.00	195.00	-
Total			\$ 20,456.83	5,843.00	14,613.83

^^ - Individual with whom City has a contract for mowing, trimming and general maintenance of City parks and the Library.

- Donation

* - Check was redeemed by the Hy-Vee in Johnston, IA; location of the Law Enforcement Academy.

** - Automotive center owned and operated by the Mayor's brother.

Special Investigation of the
City of Hamburg

Unsupported Disbursements to City Employees

For the period January 1, 2004 through October 6, 2005

Per the Check

Date	Payee	Amount of Check	Amount Already in Exhibit A	Net Amount
04/15/04	Georgann Stephens	\$ 224.54	-	224.54
05/17/04	Georgann Stephens	436.93	-	436.93
07/09/04	Georgann Stephens	330.89	-	330.89
09/01/04	Georgann Stephens	1,500.00	1,500.00	-
05/26/05	Georgann Stephens	160.23	-	160.23
07/19/05	Georgann Stephens	360.16	-	360.16
09/14/05	Georgann Stephens	12.15	-	12.15
	Subtotal	3,024.90	1,500.00	1,524.90
09/01/04	Valerie Lang	1,500.00	1,500.00	-
09/22/05	Valerie Lang	1,500.00	1,500.00	-
	Subtotal	3,000.00	3,000.00	-
	Total	\$ 6,024.90	4,500.00	1,524.90

Auditor's Notes

Employee insurance fund; prescription and doctor bill

No support found

No support found

Clothing allowance

No support found

Employee insurance fund reimbursement

No support found

Clothing allowance

Clothing allowance

Special Investigation of the
City of Hamburg

Fuel Purchases Exceeding 25.5 Gallons

For the period January 1, 2004 through August 24, 2005

Vendor	Transaction Date	Number of Gallons	Cost
Casey's	03/16/04	30.49	\$ 50.28
Hamburg Oil	04/01/04	41.10	73.60
Hamburg Oil	04/16/04	40.20	72.00
Casey's	04/25/04	27.36	48.12
Casey's	05/06/04	26.96	52.00
Casey's	06/24/04	30.43	54.14
Hamburg Oil	07/07/04	27.60	54.00
Casey's	07/15/04	27.36	49.22
Casey's	07/28/04	30.96	56.94
Hamburg Oil	08/09/04	41.30	80.00
Casey's	08/17/04	28.12	49.19
Casey's	08/24/04	25.99	46.76
Casey's	08/26/04	36.41	65.50
Casey's	08/26/04	26.26	47.24
Holt	09/01/04	26.61	47.07
Casey's	09/14/04	33.27	58.85
Casey's	09/17/04	33.59	58.41
Holt	09/18/04	28.52	50.44
Casey's	10/12/04	29.76	55.03
Casey's	10/26/04	34.80	67.82
Casey's	11/08/04	29.97	56.02
Casey's	11/23/04	32.63	60.00
Casey's	12/06/04	26.47	48.67
Casey's	01/03/05	28.56	47.66
Casey's	01/12/05	26.87	47.00
Casey's	01/25/05	30.88	56.17
Casey's	02/07/05	38.47	71.13
Casey's	03/04/05	35.75	69.68
Casey's	03/28/05	28.87	60.31
Casey's	04/14/05	33.06	69.40
Casey's	04/25/05	31.64	66.41
Hamburg Oil	06/01/05	26.50	54.00
Casey's	06/21/05	34.30	74.05
Hamburg Oil	07/06/05	29.00	65.60
Casey's	07/26/05	34.60	74.00
Hamburg Oil	08/05/05	29.20	70.00
Casey's	08/10/05	32.31	72.35
Casey's	08/24/05	28.64	71.01
Total		<u>1,184.81</u>	<u>\$ 2,270.07</u>

Special Investigation of the
City of Hamburg

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Bradley A. Meisterling, Assistant Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State

**Special Investigation of the
City of Hamburg**

Appendices

Special Investigation of the
City of Hamburg

Documents Related to Purchase of 60' of Culvert

METAL CULVERTS INC.
Quality products... unequalled Service
MARYVILLE, MISSOURI DIVISION
680-582-4982

P.O.# 68806
INVOICE#
ORDER # 24535

DATE: 4-18-05

PHONE: Tarrv

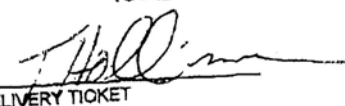
SHIP TO: Their Yard BILL TO: 20237 City of Hamburg
AT: Hamburg, IA
WHEN SHIP: VIA: MCI NET: 30 DAYS

Station Number	NO#	Diam.	Length	Gauge	Cor.	BANDS WIDTH	BANDS QTY	TOTAL FEET	Price	Extension
Spiral	2	12	30	16	2.68	12	1	60		\$0.00
		12						0		\$0.00
								0		\$0.00
									SUBTOTAL	\$0.00
									Tax	
									TOTAL	\$0.00

DATE 5-12

DELIVERY DRIVER Two

**MATERIAL HAS BEEN RECEIVED IN
PRIME UNDAMAGED CONDITION**

DATE _____ AUTHORIZED SIGNATURE 
ANY IRREGULARITIES MUST BE NOTED ON THIS DELIVERY TICKET

Fabricators Certificate of Compliance
The material covered by this certificate was manufactured in conformity with the Iowa State Highway
Commissions specification. Based on mill certificates, it is certified that representative sample of the listed
materials have been tested and that the test results conform to the requirements of these specifications.
(Material description and shipping destination are as shown.)
Authorized signature Brooke Date 4-19-05

Special Investigation of the
City of Hamburg

Documents Related to Purchase of 60' of Culvert

05/20/2006 08:40
Metal Culverts, Inc.
P.O. Box 330
Jefferson City MO 65102



Quality products . . . unequalled Service

Invoice INVD024174
Date 5/13/2005

Page: 1

Bill To:
Hamburg City Of
1201 Main St Box 106
Hamburg IA 51640

Ship To:
Hamburg City Of
1201 Main St Box 106
Hamburg IA 51640

Purchase Order No.	Customer ID	Salesperson ID	Shipping Method	Payment Terms	Req Ship Date	Master No.			
68806	20237	T5-IA	TRUCK/COM CAR	Net 30 days	5/13/2005	0			
Ordered	Shipped	B/O	Item Number	Description	Discount	Unit Price	Ext. Price		
60	60		0 SPGV01216030200	2 Spl 12"Dia 16ga 30'L 2.66 x.5	\$0.00	\$7.30	\$438.00	95	

TERMS ARE NET 30 DAYS.
Delinquent accounts will be charged
a 1.5% late fee,
Maryville, MO Plant

Subtotal	\$448.95
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$448.95

Special Investigation of the
City of Hamburg

Documents Related to Purchase of 130' of Culvert

METAL CULVERTS INC.
Quality products . . . unequalled Service
MARYVILLE, MISSOURI DIVISION
880-582-4962

P.O.# _____
INVOICE# _____
ORDER # 24818

DATE: 6-21-05

PHONE: _____

SHIP TO: Customer Pick Up BILL TO: 20237 City of Hamburg
AT: _____ AT: Hamburg, IA
WHEN SHIP: 6-22-05 VIA: GPU NET: 30 DAYS

Station Number	NO#	Diam.	Length	Gauge	Corr.	BANDS WIDTH	BANDS QTY	TOTAL FEET	Price	Extension
Spiral	1	12	10	18	2.88			10		\$0.00
	3	12	20	18	2.88			60		\$0.00
	2	12	30	18	2.66			80		\$0.00
		12				12	3	3		\$0.00
	1	12	4	16	2.88			4		\$0.00
			w/ 90 deg elbow					1		\$0.00
								0		\$0.00
								0		\$0.00

DATE _____ DELIVERY DRIVER _____ SUBTOTAL \$0.00
Tax _____
TOTAL \$0.00

**MATERIAL HAS BEEN RECEIVED IN
PRIME UNDAMAGED CONDITION**
DATE 6-23-05 AUTHORIZED SIGNATURE [Signature]
ANY IRREGULARITIES MUST BE NOTED ON THIS DELIVERY TICKET

Fabricators Certificate of Compliance
The material covered by this certificate was manufactured in conformity with the Iowa State Highway
Commissions specification. Based on mill certificates, it is certified that representative sample of the listed
materials have been tested and that the test results conform to the requirements of these specifications.
(Material description and shipping destination are as shown.)
Authorized signature [Signature] Date 6-21-05

Special Investigation of the
City of Hamburg

Documents Related to Purchase of 130' of Culvert

Metal Culverts, Inc.
P.O. Box 330
Jefferson City MO 65102



Quality products . . . unequalled Service

INVD024374
6/23/2005

Bill To:
Hamburg City Of
1201 Main St Box 106
Hamburg IA 51640

Ship To:
Hamburg City Of
1201 Main St Box 106
Hamburg IA 51640

****INVOICE****

20237		T5-IA	COUNTER PICKUP Net 30 days	6/23/2005	0		
10	10	0	SPGV01216010200	1 Sprl 12" Dia 16ga 10'L 2.66 x.5	\$0.00	\$7.30	\$73.00
60	60	0	SPGV01216020200	3 Sprl 12" Dia 16ga 20'L 2.66 x.5	\$0.00	\$7.30	\$438.00
60	60	0	SPGV01216030200	2 Sprl 12" Dia 16ga 30'L 2.66 x.5	\$0.00	\$7.30	\$438.00
3	3	0	29024	12" DIAM BAND 12" WIDE	\$0.00	\$10.95	\$32.85
4	4	0	SPGV01216004200	1 Sprl 12" Dia 16ga 04'L 2.66 x.5	\$0.00	\$7.30	\$29.20
1	1	0	SPECIAL	Fabrication of 90 deg elbow	\$0.00	\$65.88	\$65.88

TERMS ARE NET 30 DAYS.
Deliquent accounts will be charged
a 1.5% late fee.
Maryville, MO Plant

	\$1,076.93
	\$0.00
	\$0.00
	\$0.00
	\$0.00
	\$1,076.93

Special Investigation of the
City of Hamburg

Invoices from Holliman LTD to Bartlett Grain and Related Payment

HOLLIMAN LTD.
P.O. BOX 15
HAMBURG, IA 51640

Invoice

Date	Invoice #
7/21/2005	4190209

Bill To
BARTLETT AND COMPANY P.O. BOX 157 408 WASHINGTON ST. HAMBURG, IA 51640

Ship To

S.O. No.	P.O. No.	Account #	Ship Date	Ship Via	Project	Other		
			7/21/2005					
ACCOU...	GTA BL/ICM SALES NO	Class	Qty	Rate	Miles	Time	TIME	Amount
ROCK	100 TON 3" ROCK IN PLACE TO MOVE DRILLING MACHINE FROM GRAIN PIT TO RAILROAD SITE TO BORE	H.LTD		972.50				972.50
ROCK	60', 12" DIA. METAL CULVERT IN PLACE FOR NEW ROAD ENTRANCE WIT FILL DIRT AND 75 TON ROAD ROCK	H.LTD		3,142.00				3,142.00
ROCK	33 TON 2" CLEAN ROCK FOR RAILROAD	H.LTD		559.35				559.35
ROCK	MISC FILL DIRT FOR COMPACTION	H.LTD		480.00				480.00
LOADER	950 CAT USE ON SITE	H.LTD		450.00				450.00
LOADER	40XT MISC, FILL DIRT,CLEAN AND GRADE SITE	H.LTD		520.00				520.00
Total								\$6,123.85
Payments/Credits								\$0.00
Balance Due								\$6,123.85

Phone #	Fax #
712-382-1415	712-382-1336

*7/30
OK TO PAY
HAMBURG
SHUTTLE PROJECT
RAC...
7/30*

Special Investigation of the
City of Hamburg

Invoices from Holliman LTD to Bartlett Grain and Related Payment

HOLLIMAN LTD.

P.O. BOX 15
HAMBURG, IA 51640

Invoice

Date	Invoice #
7/21/2005	4190210

Bill To
BARTLETT AND COMPANY P.O. BOX 157 408 WASHINGTON ST. HAMBURG, IA 51640

Ship To

S.O. No.	P.O. No.	Account #	Ship Date	Ship Via	Project	Other		
			7/21/2005					
ACCOU...	GTA BL/ICM SALES NO	Class	Qty	Rate	Miles	Time	TIME	Amount
CULVERT	130', 12" METAL CULVERTS, BANDS AND 90° ELBOW DELIVERED TO SITE FOR NORTH DRAIN	H.LTD		2,980.00				2,980.00
LOADER	40XT LOADER, LEVEL & MOVE DIRT PILE TO MAKE ROOM FOR CEMENT TRUCKS AND PUMPER TRUCK FOR BINS 4 & 5	H.LTD		450.00				450.00
LOADER	40XT CLEANUP & LEVEL SITE	H.LTD		225.00				225.00
LOADER	WORK AT RAIL ROAD SITE, FILL DIRT & 950 CAT, LEVEL SPOIL DIRT PILE ON NORTH SIDE OF ROAD BY RAILROAD TRACK	H.LTD		525.00				525.00
Total								\$4,180.00
Payments/Credits								\$0.00
Balance Due								\$4,180.00


Phone #	Fax #
712-382-1415	712-382-1336

*7/30
OK TO
PAY REEWDTT
HAMBURG SHUTTLE
PROJECT*

Special Investigation of the
City of Hamburg

Invoices from Holliman LTD to Bartlett Grain and Related Payment

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER. THE BACK CONTAINS AN ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW

 **Bartlett Grain Company, L.P.**

UMB Bank
of Warsaw
Warsaw, MO 65355

80-568/1012


00444850

DATE	CHECK NO.	AMOUNT
8/4/2005	444850	\$*****10303.85

PAY Ten Thousand Three Hundred Three and 85/100----- US Dollars

TO THE ORDER OF HOLLIMAN LTD.
P.O. BOX 15
HAMBURG, IA 51640

Void After 120 Days


AUTHORIZED SIGNATURE

⑈0001030385⑈

Invoice number 4190209	\$ 6,123.85
Invoice number 4190210	<u>4,180.00</u>
Total	<u>\$10,303.85</u>