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NEWS RELEASE

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Auditor of State David A. Vaudt today released a report on a special investigation of the City of Schleswig for the period January 1, 2003 through January 31, 2007. The special investigation was requested by City officials as a result of concerns identified with utility billings and collection duties performed by the former City Clerk, Ron Clausen. Mr. Clausen resigned as City Clerk effective December 1, 2006. He had been the City Clerk for approximately 31 years.

Vaudt reported the special investigation identified \$66,887.86 of improper and unsupported disbursements, undeposited collections and unpaid personal utilities. The amount identified included \$9,474.14 of improper disbursements and \$4,801.27 of unsupported disbursements for the period July 1, 2004 through January 31, 2007. The improper and unsupported disbursements included payments to Mr. Clausen and 2 businesses he owned. These disbursements are summarized in the following table.

Payee	Improper Amount	Unsupported Amount	Total
Ron Clausen	\$ 1,757.00	1,835.94	3,592.94
Schleswig Motor Supply**	327.55	1,934.02	2,261.57
Schleswig's Schnapps Haus**	553.11	-	553.11
Various	6,836.48	1,031.31	7,867.79
Total	\$ 9,474.14	4,801.27	14,275.41

** - Schleswig Motor Supply and Schleswig's Schnapps Haus are both owned and operated by Mr. Clausen.

The earliest improper disbursement identified was a check written on June 29, 2004 and redeemed in July 2004. Because limited records were available, it was not possible to determine if there were additional improper or unsupported disbursements prior to July 1, 2004.

The undeposited collections of \$52,612.45 included undeposited utility collections, pool admissions and pool concessions.

Using meter readings and available deposit information from the City, Vaudt estimated \$47,500 of utility collections were undeposited between July 1, 2004 and November 30, 2006. Vaudt reported it was not possible to determine if additional utility collections were undeposited for the period prior to July 1, 2004 because limited records were available. Mr. Clausen's job

duties as City Clerk included preparing the utility billings, collecting utility payments from customers and depositing the payments received. Cash deposits to the City's general checking account averaged \$34 per month between July 1, 2004 and November 30, 2006. However, subsequent to Mr. Clausen's resignation, cash deposits averaged \$1,723 per month. In addition, Vaudt reported a deposit to 1 of Mr. Clausen's business bank accounts for \$1,409.66 consisted of utility payments that should have been deposited to the City's account.

Vaudt also estimated \$3,900 of cash collections from the City's community pool were undeposited for the summer of 2005. Because limited records were available, it was not possible to determine if additional community pool collections were undeposited for the period prior to the summer of 2005. Mr. Clausen's job duties as City Clerk included depositing the collections from the community pool. However, beginning with the summer of 2006, the Pool Manager began making the deposits directly to the City's bank account. Cash collections deposited to the bank increased \$3,970.37 from the summer of 2005 to the summer of 2006. The cash collections for the summer of 2007 were consistent with the summer of 2006.

In addition, Vaudt reported \$1,212.45 of unpaid utility billings were identified for Mr. Clausen's personal residence and businesses for the period January 1, 2003 through June 30, 2004. Because Mr. Clausen's personal and business bank account statements were not readily available for the period prior to January 1, 2003, we are unable to determine if additional payments recorded for Mr. Clausen's utility accounts were actually made to the City.

Vaudt reported cash was collected and should have been deposited for other miscellaneous collections, such as permits and shelter house rentals. However, except for deposits from the City pool, minimal cash deposits were made to the City's checking accounts between July 1, 2004 and November 30, 2006. Mr. Clausen was responsible for deposits, except for deposits from the City pool after the summer of 2005, until his resignation in November 2006. It was not possible to determine if additional amounts were undeposited during Mr. Clausen's employment because adequate records were not available for all receipts.

The report also includes recommendations to the City to strengthen the City's internal controls, such as improvements to segregation of duties, performing reconciliations between the bank accounts and the accounting records and performing monthly utility reconciliations.

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

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF SCHLESWIG
FOR THE PERIOD
JANUARY 1, 2003 THROUGH JANUARY 31, 2007**

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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 utility billings and collections and at your request, we conducted a special investigation of the City of Schleswig. We have applied certain tests and procedures to selected financial transactions of the City for the period January 1, 2003 through January 31, 2007. Because not all records were available, we were not able to perform all procedures for the entire period. Based on discussions with City personnel and a review of relevant information, we performed the following procedures for the periods specified.

For the period January 1, 2003 through January 31, 2007, we:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Obtained and reviewed personal and business bank statements for accounts held at certain financial institutions by Ron Clausen, the former City Clerk, to identify the source of certain deposits. We also reviewed disbursements from the accounts to identify any payments remitted to the City.
- (3) Examined the City's utility customer history reports for the former City Clerk's personal residence and businesses to determine if proper utility charges were billed to the accounts, the proper number of payments had been made and to identify any improper or unsupported adjustments or credits.
- (4) Interviewed the former City Clerk to obtain clarification of discrepancies identified.

For the period July 1, 2004 through January 31, 2007, we:

- (1) Reviewed the Council meeting minutes for meetings held between July 1, 2004 and December 31, 2006 for significant actions.
- (2) Scanned all checks issued from the City's general and pool checking accounts and examined documentation for certain payments to determine if payments were approved, properly supported and for appropriate purposes.
- (3) Obtained invoices or other supporting documentation from selected vendors to determine if payments were for appropriate purposes.
- (4) Confirmed payments made to the City by the State of Iowa and Crawford County to determine if they were properly deposited to the City's accounts.
- (5) Compared meter reading sheets to the customer history reports to identify any differences.
- (6) Calculated the utility billing for each customer using the meter reading sheets for 5 selected months and compared the calculated amount to total collections deposited to the City's bank account for those months to determine if all billings were collected.
- (7) Calculated total utility billings by fiscal year using the water usage report and compared to the total utility collections deposited to the City's bank account to determine if all billings were collected.

- (8) Compared pool receipts by fiscal year to determine any unusual increases and/or decreases. Also, reviewed all deposits made to the City's pool checking account to determine the source of certain deposits.
- (9) Compared the approved bill listing included in the Council meeting minutes to the bank images of the checks issued from the City's checking account to identify any differences.
- (10) Examined all payroll checks to the former City Clerk to ensure the amounts were appropriate.
- (11) Examined all IPERS remittances and payroll tax payments to determine if appropriate disbursements had been made.

These procedures identified \$66,887.86 of improper disbursements, undeposited collections and unpaid personal utilities. The \$66,887.86 is composed of the following:

- \$14,275.41 of improper and unsupported disbursements for the period July 1, 2004 through January 31, 2007.
- \$47,500.00 of undeposited utility collections for the period July 1, 2004 through January 31, 2007. This amount is an estimate based on available utility records.
- \$3,900.00 of undeposited cash collections from the City's community pool for the summer of 2005. This amount is an estimate based on the increase in cash collections deposited to the bank from the summer of 2005 to the summer of 2006.
- \$1,212.45 of unpaid utility billings for the former City Clerk's personal residence and businesses from January 1, 2003 through June 30, 2004.

The earliest improper disbursement identified was a check written on June 29, 2004 and redeemed in July 2004. Because limited records were available, it was not possible to determine if additional improper or unsupported disbursements were made prior to July 1, 2004, if additional utility collections were undeposited prior to July 1, 2004 or if additional cash collections from the City's community pool were undeposited prior to the summer of 2005.

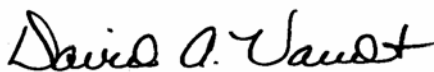
Unpaid utility billings for the former City Clerk's personal residence and businesses from July 1, 2004 through November 30, 2006 would be included in the estimate of undeposited collections described previously. Because the former City Clerk's personal and business bank account statements were not readily available for the period prior to January 1, 2003, we are unable to determine if additional payments recorded for the former City Clerk's utility accounts were actually made to the City.

Several internal control weaknesses were identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **D** of this report.

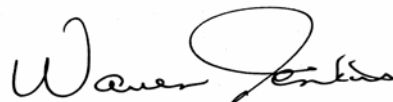
The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Schleswig, other matters might have come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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 20, 2008

City of Schleswig

Investigative Summary

Background Information

Ron Clausen was employed by the City of Schleswig as the City Clerk for approximately 31 years. He resigned from his position effective December 1, 2006. During his tenure as City Clerk, Mr. Clausen also owned 2 local businesses, Schleswig Motor Supply and Schleswig's Schnapps Haus. According to City officials, Mr. Clausen conducted all City business from Schleswig Motor Supply rather than City Hall. Mr. Clausen was paid an annual salary and conducted City business during the same hours as his store operating hours. As the City Clerk, Mr. Clausen was responsible for:

- 1) Receipts – collection, deposit preparation, recording in receipt registers and reconciliations. Mr. Clausen also maintained the shelter house/campground reservation book.
- 2) Disbursements – authorizing and making purchases, receiving certain goods and services purchased, check preparation, counter-signing checks, distribution, recording in disbursement registers and reconciliation.
- 3) Payroll – calculation, check preparation, counter-signing checks, distribution and comparison of time records, as applicable, to payroll.
- 4) Utility billings – preparation of billings, payment collection, posting activity to customer accounts, deposit preparation and reconciliation.

The City also employs a City Treasurer who is responsible for bank reconciliations and preparation of the monthly Treasurer's report for presentation to the Council. However, the City Treasurer did not reconcile the bank statements to the accounting records maintained by Mr. Clausen. Rather, the bank statements were reconciled to spreadsheets maintained by the City Treasurer which were based on bank information. In addition, Mr. Clausen did not prepare the utility reconciliations for which he was responsible.

The City's primary revenue sources include local option sales tax and road use tax from the State of Iowa and property taxes collected by Crawford County and remitted to the City. Revenue is also received throughout the year from utility collections for water, sewer and landfill fees assessed to each household and business. The City also receives rental fees for the shelter house and campground. Mr. Clausen had sole responsibility for maintaining the reservation book and collecting the rental fees.

In addition, each summer the City operates a community pool at which admission fees are collected and items are sold from a concession stand. Prior to the summer of 2006, Mr. Clausen was responsible for depositing all funds collected at the pool. However, during the summer of 2006, the pool manager deposited all funds collected at the pool directly to the City's bank account. There are no records of the admission fees collected or the amount of concession stand sales.

Mr. Clausen prepared pre-numbered receipts for all collections, including pool admission fees, concession sales and shelter house rentals. However, utility collections were receipted in total by month rather than by individual payment made to the City. Mr. Clausen kept a monthly electronic spreadsheet of collections which acted as a receipt register. The spreadsheet included all revenue received from the State and Crawford County, utility collections, pool admissions, concession sales and miscellaneous collections. Except as noted above, Mr. Clausen was responsible for preparing deposit slips and depositing all collections to the City's bank account.

Disbursements are made from the City's general checking account by check. Checks are to contain the signature of both the City Clerk and the Mayor. The City Treasurer is also an authorized signer. Invoices were mailed to the Schleswig Motor Supply post office box, where Mr. Clausen picked them up. He then prepared a listing of the bills for presentation to the Council for its approval. According to the former Mayor, he reviewed supporting documentation for the items presented to the Council prior to signing the checks. However, there was no evidence of this review. Mr. Clausen counter-signed the checks and distributed them to the vendors. Mr. Clausen maintained a monthly electronic spreadsheet which acted as a disbursement register. For each payment made, the spreadsheet listed the check number, payee and to which fund the check should be recorded.

The City also maintained a separate checking account for the pool. However, disbursements made from the pool's account were not presented to the Council for its approval and the amounts were not included in the monthly disbursement register maintained by Mr. Clausen. Mr. Clausen was the only authorized signer on this account. There was no independent review of the pool activity.

In addition, Mr. Clausen was responsible for maintaining utility records for each household and business receiving utility services. Billing and payment activity was to be recorded by Mr. Clausen in software used by the City. Utility accounts are billed on a monthly basis. Accounts are charged a usage rate for water and sewer, basic fees, flat fees for water tower loan repayment and landfill fees. Mr. Clausen also had responsibility for collection of utility payments.

Prior to the fiscal year 2006 financial audit, the former Mayor contacted the Office of Auditor of State to express concerns regarding the City's utility billings and collections. In July 2006, the City Council approved the contract with the Office of Auditor of State and, in November 2006, audit staff contacted Mr. Clausen to discuss the timing of audit fieldwork. At that time, Mr. Clausen indicated he would be retiring and would not be available to assist with the audit. He subsequently turned in his resignation, effective December 1, 2006.

Because the population of the City of Schleswig is greater than 700 but less than 2,000, the City is required to have a financial audit every four years. According to records filed with the Office of Auditor of State, the City last received an audit for the fiscal year ended June 30, 2001. As a result, an audit should have been performed for the fiscal year ended June 30, 2005. However, the audit was delayed by a year at the former City Clerk's request and was scheduled for fiscal year 2006.

While conducting fieldwork for the fiscal year 2006 financial audit, audit staff reviewed the Council meeting minutes located in the minute book maintained by Mr. Clausen. According to minutes from the book for the June 13, 2005 meeting, the Council discussed delaying the fiscal year 2005 financial audit because of the recent purchase of a computer system, changing of the accounting structure and failure to budget for the audit. However, we subsequently reviewed a copy of the minutes provided to the Council for its review and approval which we obtained from the former Mayor. The minutes obtained from the former Mayor did not include discussion about delaying the audit. See **Appendix 1** for a copy of the first page of the signed minutes from the minute book and a copy of the first page of the minutes provided to the Council. In addition, based on our review of City records, neither a new computer system nor changes to the accounting structure were implemented during the period of our investigation. We also discussed the discrepancy with Mr. Clausen; however, he did not provide an explanation.

Audit staff also determined monthly utility reconciliations were not being prepared and identified several utility accounts for which no activity was recorded. According to City officials, several of the accounts identified were active customers who typically paid their utility bills in cash. However, the City's utility records did not reflect any payments made for services provided.

As a result of the concerns identified, City officials requested the Office of Auditor of State conduct an investigation of the City's financial transactions. As a result of that request, we performed the

procedures detailed in the Auditor of State's Report for the period January 1, 2003 through January 31, 2007.

Detailed Findings

The procedures performed identified \$66,887.86 of improper disbursements, undeposited collections and unpaid personal utilities. The \$66,887.86 is composed of the following:

- \$14,275.41 of improper and unsupported disbursements for the period July 1, 2004 through January 31, 2007.
- \$47,500.00 of undeposited utility collections for the period July 1, 2004 through January 31, 2007. This amount is an estimate based on available utility records.
- \$3,900.00 of undeposited cash collections from the City's community pool for the summer of 2005. This amount is an estimate based on the increase in cash collections deposited to the bank from the summer of 2005 to the summer of 2006.
- \$1,212.45 of unpaid utility billings for the former City Clerk's personal residence and businesses from January 1, 2003 through June 30, 2004.

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

UNDEPOSITED COLLECTIONS

As previously stated, the City's primary revenue sources include taxes from the State of Iowa and Crawford County. Revenue is also received from utility collections for water, sewer and landfill fees assessed to each household and business and other miscellaneous fees.

Taxes from the State and County – We confirmed payments made to the City by Crawford County and the State of Iowa for the period July 1, 2004 to January 31, 2007. We determined all payments from the County and State were properly deposited in the City's checking accounts.

Utility Collections – As previously stated, Mr. Clausen had primary responsibility for the billing, collection and deposit of utility payments. In addition, utility billing reconciliations were not prepared. Utility records were maintained by Mr. Clausen for each account by recording monthly billings and payment activity in software used by the City.

Except for those payments received through the mail, utility customers brought their City utility payments to Schleswig Motor Supply, where Mr. Clausen conducted City business. According to City officials, some utility customers paid by check and others paid with cash. If necessary, Mr. Clausen made change from the store's cash register. However, there were no procedures in place to ensure cash received for City utility collections were held separate from the cash received for Schleswig Motor Supply. Because neither detailed receipts nor utility billing reconciliations were prepared, we are unable to determine if all City collections handled through the store's cash register were deposited to the City's bank account.

City officials provided us with a list of several customers who typically paid their utility bills with cash. At the City's request, 3 of the customers identified provided copies of their utility bills to the staff from the Office of Auditor of State during the City's fiscal year 2006 financial audit.

Copies of billing statements provided by a utility customer are included in **Appendix 2**. As illustrated by the **Appendix**, the billing statements sent to customers by the City included the previous balance due, the bill for the current month's services and the total amount due. The statement also included any payments received by the City since preparation of the previous billing statement. By reviewing the billing statements provided by the utility customers, we determined the customers identified had been billed for utility services and payments had been made by the customers.

When we attempted to compare the customers' billing statements to their utility accounts shown in the customer history reports provided by the City, the billing and payment activity shown on the billing statements were not included in the customer history reports. Because the billing statements are generated by the software program used by the City, it is apparent billing and payment activity for the customers was recorded at some time in the software program and was subsequently removed.

Because of the concerns identified for the limited number of customers who provided their billing statements, we determined it was necessary to examine customer history reports from previous periods to determine if the concern identified had been on-going. The current City Clerk provided customer history reports from May 1, 2001 (the earliest date available) through November 30, 2006 for our review. As a result of that review, we identified 89 active accounts for which billing and payment information was not shown for various periods (including the 3 customers initially identified.) **Appendix 3** summarizes the accounts and time periods identified.

We spoke with Mr. Clausen about those customers for whom billing and payment information was not shown in the customer history reports to determine if he could provide an explanation. Mr. Clausen explained he did not fully understand the utility software used by the City. Because of this, he indicated he often would have problems recording payments to the utility software, especially for delinquent payments. If a payment he recorded was not properly reflected in the customer's account or did not properly reduce the customer's outstanding balance, he was unable to determine how to correct the error. In those instances, he stated he would erase the customer's history and start over.

However, Mr. Clausen's explanation does not appear reasonable because the customers' utility billing statements showed a previous balance due and payments applied to their accounts. His explanation also does not clarify how a portion of the historical billing and payment information can still be shown on the customer history report. For example, as shown in **Appendix 3**, the customer history report does not show billing and payment information for June 2002 through July 2004 for customer account #41, although it still shows billing and payment information for May 2001 through May 2002. If a customer's account had been erased in order for Mr. Clausen to start over, we would expect all historical billing and payment information to be deleted.

As stated previously, Mr. Clausen prepared receipts for utility payment collections. However, the receipts were prepared in total for a number of collections. He did not maintain a listing of individual collections or list customers separately when preparing the deposit slips for deposits made to the bank. Instead, the deposit slips showed the utility collections in total by type of payment (i.e., water, sewer, landfill, etc.). In addition, Mr. Clausen did not separate cash payments from payments made with checks on the deposit slips.

Because we did not have a listing of collections for individual customers and the customer history reports did not include activity for several customers receiving utility services, we calculated the amount which should have been billed to customers and compared the calculation to amounts deposited to estimate the amount of undeposited collections. Using different source documentation, we used 2 methods to calculate the estimate. The 2 methods are described in the following paragraphs.

- We judgmentally selected 5 months between July 1, 2004 and January 31, 2007. For the months selected, we recalculated the utility billings for all customers based on the meter reading sheets. While performing this procedure, we identified several discrepancies between the meter reading sheets and the available customer history reports. In addition, for several customers, a meter reading was either not recorded or was not reasonable based on the prior meter reading. However, because the meter reading sheets were not prepared by Mr. Clausen and the discrepancies identified were not significant, we relied on them.

We were unable to compare the recalculated billings for all customers to the customer history reports because activity was not included for all utility accounts. As stated previously, we observed customer history reports from as early as calendar year 2001 which did not include activity for utility customers. Because customer history reports were not readily available for the periods prior to 2001, we were unable to determine whether activity for all utility accounts had been recorded. We were also unable to compare the recalculated billings to the individual deposits because, as stated previously, Mr. Clausen completed the deposit slips in total.

Once we calculated the expected total utility billing amount for each of the 5 selected months, we performed a utility billing reconciliation for each month. We compared the expected total billing amount to the amounts deposited to the bank for the selected month. We also applied an 8% delinquency rate to the expected total billing amount. Initially, City officials indicated the delinquency rate during Mr. Clausen's employment averaged 20%. However, we were unable to determine the reasonableness of that delinquency rate from the available utility records. We requested the current City clerk calculate the delinquency rate based on calendar year 2007, which averaged 8%. Because there have been no other significant changes to City operations or within the community, we determined an 8% delinquency rate was reasonable for the previous years.

Table 1 illustrates our calculation of undeposited utility collections for the month of January 2006 as an example.

Description	January 2006 Amounts
Expected total utility billing	\$ 22,118.72
Less: Utility deposits	(17,266.11)
Subtotal	4,852.61
Less: Estimated delinquent payments**	(1,769.50)
Estimated undeposited utility collections	<u>\$ 3,083.11</u>

** - \$22,118.72 x 8% = \$1,769.50.

After we determined the estimated undeposited utility collections for each of the 5 selected months, we averaged the amounts and applied the average to the 29 months between July 1, 2004 and November 30, 2006 to estimate the total undeposited utility collections amount for that period. **Table 2** illustrates our calculation, which resulted in total estimated undeposited utility collections of \$49,750.95 for the period July 1, 2004 through November 30, 2006 using this method.

Description	Amount
Estimated undeposited utility collections:	
July 2004	\$ 730.50
December 2004	1,018.96
July 2005	1,208.44
January 2006	3,083.11
July 2006	2,536.73
Subtotal	8,577.74
Divided by the number of months selected	5
Subtotal	1,715.55
Multiplied by the number of months under review	29
Total	<u>\$ 49,750.95</u>

- We also calculated an estimated undeposited utility collections amount using the water usage reports prepared by Mr. Clausen, which identified the number of gallons billed by the City to customers each month. We applied the water and sewer rates to the total gallons billed for each fiscal year within the 29-month period under review. For fiscal year 2007, we used information for the period July 1, 2006 through October 31, 2006 because Mr. Clausen resigned effective December 1, 2006 and had not completed the November 2006 water usage report.

After calculating the amount which should have been billed for water and sewer usage, we added the flat fees and basic charges to calculate the total amount which should have been billed for each fiscal year. We compared our calculation to the amounts deposited to the bank during the fiscal year to determine whether there were variances. **Table 3** illustrates our calculations using fiscal year 2006 as an example.

Table 3

Description	Number of Gallons	Dollar Amount	Description of Calculation
Total gallons billed	19,650,455		Total gallons billed per the monthly water usage report for fiscal year 2006.
Water usage	19,650.46		=19,650,455 gallons/1,000
Water charges		\$ 83,514.45	=19,650.46 gallons x \$4.25
Sales tax		5,846.01	=\$83,514.45 x 7%
Total water billed after taxes		89,360.46	
Sewer usage	16,887.60		=19,650.46 gallons x 85.94%**
Sewer charges		29,553.30	=16,887.60 gallons x \$1.75
Water tower repayment fee		47,628.00	=441 accounts x \$9 x 12 months
Landfill fee – commercial		1,440.00	=60 accounts x \$2 x 12 months
Landfill fee – residential		53,280.00	=370 accounts x \$12 x 12 months
Basic charges – water only		1,380.00	=23 accounts x \$5 x 12 months
Basic charges – water & sewer		36,250.20	=411 accounts x \$7.35 x 12 months
Expected utility billings		258,891.96	
Less: Total collections		(225,702.19)	
Variance		\$ 33,189.77	

** - Of the 441 accounts listed on the customer history reports, 379, or 85.94%, were billed for sewer.

We totaled the variances for each fiscal year as illustrated by **Table 4**. As also illustrated by the **Table**, we applied an 8% delinquency rate to determine the net amount of estimated undeposited collections, which equaled \$47,540.68.

Table 4

Description	Amount
Identified variance by fiscal year:	
2005	\$ 13,126.99
2006	33,189.77
2007**	5,357.90
Subtotal	51,674.66
Less: Estimated delinquent payments^	(4,133.97)
Total	\$ 47,540.69

** - Only includes July 2006 through October 2006.

^ - \$51,674.66 x 8% = \$4,133.97

In addition to the 2 calculated estimates, we also compared the amount of cash deposited to the City's bank account by Mr. Clausen during the 29-month period of our review to the amount of cash deposited by the new City Clerk in subsequent periods. Because Mr. Clausen did not separate cash from checks on the deposit slips he prepared, we requested assistance from the City's bank to determine the amount of cash included in the 245 utility deposits made by Mr. Clausen from July 1, 2004 through November 30, 2006.

By reviewing documentation provided by the bank, we determined 220 of the 245 deposits for which information was requested did not include cash. For the 29-month period reviewed, Mr. Clausen deposited a total of \$980.80 in cash, which is an average of \$34 per month.

We requested the current City Clerk provide a detailed summary of the amount of cash and checks deposited for the 100 utility deposits she made during the period December 1, 2006 through December 31, 2007. Only 13 of the 100 deposits did not include cash. For the 13-month period, the current City Clerk deposited a total of \$22,396.32 in cash, which is an average of \$1,723 per month.

To estimate the amount of cash Mr. Clausen may have collected but not deposited, we multiplied the \$1,689 difference in the monthly averages between the 2 City Clerks by the 29 months between July 1, 2004 and November 30, 2006. The resulting amount of \$48,981 is not significantly different than the amount of undeposited collections estimated by the 2 methods previously explained. **Table 5** summarizes the estimates.

Calculated using:	Table	Estimated Undeposited Collections
Meter reading sheets	2	\$ 49,750.95
Water usage reports	4	47,540.68
Average cash collected by Clerks	-	48,981.00

As illustrated by the **Table**, the lowest estimate of undeposited collections is \$47,540.68. To be conservative, we have included undeposited cash collections of \$47,500.00 in **Exhibit A**. We have no indication fiscal year 2005 was the first year collections were undeposited. However, we are unable to perform additional testing because adequate records were not readily available.

We spoke with Mr. Clausen about the increase in utility collections, including cash collections. While he did not provide a detailed explanation, he indicated the number of cash customers would vary from month to month during his tenure as City Clerk. He stated some months no one would pay in cash and some months he would have 20 customers pay with cash. However, according to the current City Clerk, there are several customers who consistently pay with cash from month to month.

We obtained the bank statements for Mr. Clausen's personal and business accounts for the period January 1, 2003 through November 30, 2006. During our review of these statements, we identified a deposit of \$1,409.66 to 1 of Mr. Clausen's business bank accounts on March 14, 2006. Using bank documents, we determined the deposit included only City utility collections. **Appendix 4** includes copies of the collections deposited. We did not locate a reimbursement to the City for this amount. Because the \$47,500.00 of estimated undeposited utility collections included in **Exhibit A** already includes the period during which this deposit was made, the \$1,409.66 deposited to Mr. Clausen's business account has not been identified separately in **Exhibit A**.

Miscellaneous Collections – We also reviewed collections from admission fees and concession sales at the pool. Admission records or sale logs were not maintained. However, we were able to estimate the amount of collections which should have been deposited by comparing the collections

in 2005 to the collections in 2006 and 2007. Beginning the summer of 2006, Mr. Clausen was no longer responsible for depositing collections from the pool to the City's bank account.

We compared the cash received in the summer of 2005 to the cash received in the summer of 2006 and identified an unexplained increase in cash of \$3,970.37. We also compared the summer of 2006 to the summer of 2007. As a result of this comparison, we determined cash collections decreased by only \$.17 from 2006 to 2007. **Table 6** shows the cash collections for the 3 summers.

Year	Amount
2005	\$ 1,423.88
2006	5,394.25
2007	5,394.08

Based on the comparison performed, we have estimated the undeposited collections to be \$3,900.00 and this amount has been included in **Exhibit A**.

Because limited records were available, it was not possible to determine if additional pool collections were undeposited for the period prior to the summer of 2005.

UNPAID PERSONAL UTILITIES

During our review of the bank statements for Mr. Clausen's personal and business accounts for the period January 1, 2003 through November 30, 2006, we identified 5 payments totaling \$226.22 made to the City. We were able to trace these payments to the customer history reports for Mr. Clausen's residential and business utility accounts.

However, utility billings for Mr. Clausen's accounts totaled \$3,635.12 for the period January 1, 2003 through November 30, 2006. In order to determine the accuracy of the customer history reports for Mr. Clausen's residential and business utility accounts, we recalculated the total billing amount for the period using the meter reading sheets. The total billing amount we recalculated materially agreed with the billing amount recorded in the customer history reports.

The amount of unpaid utility billings for the period July 1, 2004 through November 30, 2006 is included in the estimated undeposited collections described previously. The 5 payments identified were all remitted during this time period. Based on the billing amounts recorded in the customer history reports, the utilities billed to Mr. Clausen for the period January 1, 2003 through June 30, 2004 totaled \$1,212.45. This amount has been included in **Exhibit A**.

Because the bank statements for Mr. Clausen's personal and business accounts were not readily available prior to January 1, 2003, we are unable to determine if additional payments recorded for Mr. Clausen's utility accounts were actually made to the City.

IMPROPER AND UNSUPPORTED DISBURSEMENTS

During our investigation, we scanned all disbursements from the City's bank accounts during the period July 1, 2004 through January 31, 2007. Although Mr. Clausen did not have access to City accounts after his resignation on December 1, 2006, we examined all City disbursements through January 31, 2007 to determine if checks issued prior to Mr. Clausen's resignation were appropriate.

During our review, we identified a number of improper and unsupported disbursements issued from the City's checking accounts. The disbursements included checks, transfers and an "auto debit." The disbursements were made from the City's general and pool checking accounts. The disbursements identified are summarized in **Table 7**.

Table 7

Description	Improper Disbursements		Unsupported Disbursements		Total
	Number	Amount	Number	Amount	
General Checking Account:					
Mr. Clausen and his businesses	4	\$ 2,637.66	12	\$ 3,769.96	6,407.62
Payments to other payees	4	383.76	4	453.36	837.12
Payments for leased copier	41	1,785.56	-	-	1,785.56
Subtotal	49	4,806.98	16	4,223.32	9,030.30
Pool Checking Account:					
Various vendors	16	4,667.16	7	577.95	5,245.11
Total	65	\$ 9,474.14	23	\$ 4,801.27	14,275.41

As illustrated by the **Table**, some of the disbursements identified were to Mr. Clausen or the businesses he owned. We also identified improper or unsupported disbursements to others, including Mr. Clausen's son and vendors from whom Mr. Clausen made personal purchases.

The earliest improper disbursement identified was prepared on June 29, 2004 and redeemed in July 2004. The improper and unsupported disbursements identified are explained in detail in the following sections of this report.

Payments to Mr. Clausen or His Businesses – As the City Clerk, Mr. Clausen was entitled to a monthly salary. Based on checks issued to Mr. Clausen, his net salary increased from \$857.17 to \$962.92 between July 1, 2004 and November 30, 2006. We were unable to locate supporting documentation for approval of his gross salary for each calendar year. However, the amounts were consistent within the fiscal year and any increases appeared reasonable.

We reviewed all payments issued to Mr. Clausen for the period July 1, 2004 through January 31, 2007 and identified 30 checks issued to him for the amount of his net salary. However, we determined Mr. Clausen or his businesses also received 14 checks totaling \$5,697.56 and 2 bank transfers totaling \$710.06 in addition to his monthly salary.

Using the City's copy of the check stub and available supporting documentation, we determined whether the checks issued were improper, unsupported or reasonable. Checks were classified as improper if the check did not appear to have been issued for a legitimate business purpose or unsupported if no documentation was available to demonstrate the City had purchased and received items from the vendor. Checks which appeared to be for a legitimate business purpose were classified as reasonable. As illustrated in **Exhibit B**, we identified \$2,637.66 of improper and \$3,769.96 of unsupported disbursements. These amounts have been included in **Exhibit A**. **Table 8** summarizes the 16 additional disbursements identified by payee.

Table 8

Payee	Number of Disbursements	Improper Amount	Unsupported Amount	Total
Ron Clausen	7	\$ 1,757.00	1,835.94	3,592.94
Schleswig Motor Supply^	7	327.55	1,934.02	2,261.57
Schleswig's Schnapps Haus^	2	553.11	-	553.11
Total	16	\$ 2,637.66	3,769.96	6,407.62

^ - Includes 1 bank transfer. The remaining disbursements are checks.

As illustrated by **Exhibit B**, check number 17080 to Mr. Clausen was a \$1,757.00 reimbursement for the purchase of a Dell computer. The computer was purchased in July 2004 and Mr. Clausen was reimbursed on July 13, 2004. The reimbursement was supported by an order summary from Dell. Because Mr. Clausen conducted all City business from Schleswig Motor Supply, the computer was kept at the business. Because the City reimbursed Mr. Clausen for the purchase, the computer was City property. However, after Mr. Clausen's resignation, when the former Mayor requested the computer and any other City office equipment be returned to City Hall, Mr. Clausen informed him the computer was his property and not the City's. Because the City does not have the computer and the computer cannot be located, the reimbursement is included as an improper disbursement.

We asked Mr. Clausen about the computer purchase. He stated 2 computers were purchased, which included 1 he purchased for his personal use and 1 he purchased to use for City business. The City reimbursed him for 1 computer. He also stated the computer had not been returned to the City after his resignation because he no longer had it. When we asked Mr. Clausen what had been done with the computer, he stated he had never been satisfied with the way the computer worked so it had been thrown away after 18 months. However, Mr. Clausen indicated he still has the computer purchased for his personal use. According to the former Mayor, the Council was not informed of Mr. Clausen's concerns with the computer or of its disposal. Because the reimbursement for the computer purchase was supported by an order summary and not an invoice, there is no record of the serial numbers of the computers shipped to Mr. Clausen. Therefore, we are unable to verify whether the computer(s) currently in Mr. Clausen's possession is the same computer(s) included in the described purchase.

Payments to Vendors/Other Payees – We also identified 11 checks payable to various vendors which were either improper or unsupported. The improper checks totaled \$383.76 and the unsupported checks totaled \$453.36. Each of the improper and unsupported checks is listed in **Exhibit C**. The total of \$837.12 has been included in **Exhibit A**.

Using the City's copy of the check stub and available supporting documentation, we determined whether the checks issued were improper, unsupported or reasonable. Checks were classified as improper if the check did not appear to have been issued for a legitimate business purpose or unsupported if no documentation was available to demonstrate the City had purchased and received items from the vendor. Checks which appeared to be for a legitimate business purpose were classified as reasonable.

Of the 11 checks, 3 were made payable to Mr. Clausen's son, Tim. Only 1 of the 3 checks had supporting documentation. However, the supporting documentation was a typed invoice from Tim Clausen for a printer drum which totaled \$91.30. See **Appendix 5** for a copy of the invoice. We also observed printer supplies, including drums, purchased by the City directly from Iowa Office Supply, an office supply vendor. It is unclear why the City purchased a printer drum from Mr. Clausen's son, who was not an employee of the City and did not own an office supply business.

Payments for a Leased Copier – In December 2000, the Council authorized Mr. Clausen to enter into a lease agreement for a copier. On January 18, 2001, Mr. Clausen signed a 30-month lease agreement at a rate of \$43.16 per month. The copier was located at Mr. Clausen's business. It appears Mr. Clausen did not include repetitive transactions, such as the lease payment, on the bill listing presented to the Council for its approval. However, a policy authorizing the payment of repetitive transactions prior to Council approval could not be located.

The expiration date of the lease agreement was established as June 2003. According to City officials, the Council did not intend to extend the lease beyond that date, but there is no documentation in the Council meeting minutes addressing either the renewal or the termination of the lease. However, the lease agreement included a clause which specified the lease period would be extended if the monthly payments were continued.

Based on our review of disbursements from the City's general checking account, Mr. Clausen continued to remit the monthly payments for the copier after the lease expired in June 2003. We identified 30 disbursements from the City's general checking account between June 22, 2004 and November 20, 2006 which totaled \$1,310.80. Because the City maintained possession of the copier and no delinquent notices were observed, we believe the monthly payments were also made between July 1, 2003 and May 31, 2004. Payments for these 11 months would total \$474.76 for a total of \$1,785.56 for the period July 1, 2003 through November 20, 2006.

Because the Council did not intend to continue the lease, we have included the \$1,785.56 in **Exhibit A** as an improper disbursement

Payments from the Checking Pool Account – We reviewed all disbursements from the pool checking account for the period July 1, 2004 through January 31, 2007. We identified 23 payments issued to various vendors which were either improper or unsupported. The 13 improper checks total \$4,667.16 and the 10 unsupported checks total \$577.95. Each of the improper or unsupported checks is listed in **Exhibit D**. The total of \$5,245.11 has been included in **Exhibit A**.

As illustrated by **Exhibit D**, 5 of the improper checks totaling \$933.36 were issued to Pepsi or Pepsi America. According to City officials, the City does not purchase products from Pepsi for either the pool or City Hall. However, Mr. Clausen had a Pepsi machine at Schleswig's Schnapps Haus. We obtained copies of invoices for purchases made by Mr. Clausen for Schleswig's Schnapps Haus from Pepsi and were able to trace 2 of the 5 checks to these invoices. See **Appendix 6** for copies of the invoices provided by Pepsi. Because the City does not purchase products from Pepsi and 2 of the checks could be traced to Schleswig's Schnapps Haus invoices, all 5 checks have been included as improper.

Also, as illustrated by the **Exhibit**, 2 of the 13 improper checks totaling \$1,425.77 were issued to Farm Plan, a financial service offered by John Deere Credit. We obtained both the City's and Mr. Clausen's customer history from John Deere Credit for the period July 1, 2004 through June 30, 2005. Although neither of the 2 payments identified could be traced to the City's customer history, we were able to trace the 2 payments to Mr. Clausen's customer history for the purchase of LP fuel.

We also identified 1 check dated January 20, 2006 issued to Long Lines for \$108.70. Long Lines provides phone and internet services to residential and commercial customers. We requested both the City's and Mr. Clausen's customer history from Long Lines for the period December 1, 2005 through March 31, 2006. The company was not able to provide any documentation showing an account for the City. However, it provided copies of customer history for Mr. Clausen and we were able to trace the \$108.70 payment into his customer history. See **Appendix 7** for a copy of Mr. Clausen's customer history.

Of the 13 improper payments, 1 was identified as an auto debit in the amount of \$229.50 to Cellular One. However, according to City officials, no City employees were provided cell phones. We requested information from the company but received no response to our request. Because City officials indicated no City employees have cell phones and no other payments to Cellular One were observed in the City's checking accounts, we determined the payment to be improper.

We also identified 1 improper payment to Jimmy's, a frozen seafood vendor. The memo line of the check indicated the payment was for the purchase of shrimp. According to City officials, Mr. Clausen purchased the shrimp for a Northwest Iowa League of Cities dinner/meeting held at his residence. The former Mayor attended the meeting and observed the shrimp being served.

At this time, according to the former Mayor, he became concerned with how the pool checking account was being used and suggested to the Council it should be closed. Based on a review of the pool checking account bank statements, the account was closed on February 21, 2006. However, on June 2, 2006, Mr. Clausen made a deposit of \$98.06 to the account. Subsequent to

Mr. Clausen's resignation, the City Treasurer transferred that amount to the City's general checking account.

We discussed the disbursements from the pool checking account with Mr. Clausen. He stated when the pool opened, approximately 18 years ago, no one wanted to manage the concession stand. At that time, an agreement was reached between Mr. Clausen and the City Council to allow Mr. Clausen to retain any concession stand profits in exchange for maintaining the accounting records and purchasing supplies for the concession stand. Therefore, according to Mr. Clausen, after the obligations of the pool had been satisfied, any money remaining in the pool checking account was his money. In addition, Mr. Clausen stated because the pool had weekly vendors, such as Pepsi and Farners Bocken, it was easier to have a checking account which required only 1 signature.

We asked Mr. Clausen about certain disbursements issued from the pool checking account. Specifically, we asked about the Farm Plan payments. He acknowledged these purchases were the LP fuel for Schleswig Motor Supply. However, he again stated the money in the pool checking account was his after the obligations for the pool had been satisfied. Mr. Clausen also confirmed he made other personal purchases from the pool checking account.

We spoke with the former Mayor about the arrangement described by Mr. Clausen. He indicated in the 14 years he was Mayor he was not aware of any such agreement. He remembered a period of time when an individual other than Mr. Clausen took his own pop machines to the pool. However, he did not recall Mr. Clausen ever placing pop machines at the pool.

We analyzed the deposits to the pool checking account using bank records. In total, for the period July 1, 2004 through November 30, 2006, \$8,104.00 was deposited. Of that amount, \$4,166.48 represented revenue such as utilities, rebates, restitution and insurance proceeds which should have been deposited to the general checking account. Although the remaining \$3,937.52 were concession sales deposits, they only exceeded the pool obligations by \$442.47. Therefore, it appears Mr. Clausen used City General Fund revenues, as well.

ADMINISTRATIVE OVERSIGHT

Public Purpose – During our review of disbursements, we identified \$615.69 of purchases, primarily flower arrangements, which may not meet the test of public purpose. All but 1 of these disbursements was presented to the Council for its approval. According to City officials, the Council was aware of and approved the purchases of the flowers.

Other Discrepancies Identified – For the period July 1, 2004 through November 30, 2006, we compared the payment listing presented to the Council for its approval to the payments which cleared the City's checking account. During our comparison, we identified the following:

- Signed minutes for the February 14, 2005 Council meeting could not be located in the minute book. (The former Mayor was able to provide his unsigned copy for our review.)
- For 4 months, the beginning balances included in the summary of the City Treasurer's report did not tie to the ending balances for the prior month. We are unable to determine if the balances were accurately reported.
- The City Treasurer's report consistently included funds with deficit balances which were not discussed by the Council.
- The bill listing presented to the Council for its approval on October 11, 2004 was the same bill listing which had been presented at the September 13, 2004 meeting.
- 373 checks totaling \$1,072,135.43 which cleared the bank were not approved in the Council minutes. Of those, 204 checks totaling \$447,181.76 appear to be for routine, repetitive transactions. However, as stated previously, a policy authorizing the payment of repetitive transactions prior to Council approval could not be located. Of the remaining

checks, a significant portion appeared reasonable. Any which were unusual in nature were tested and included as improper, if applicable.

- 24 checks totaling \$6,019.33 were issued for an amount which does not agree with the amount approved by the Council in the minutes, as follows:
 - 5 were issued for an amount greater than approved.
 - 13 were issued for an amount less than approved.
 - For 4 of the 24 checks, only 2 disbursements were approved by the Council, but 2 checks were written for each disbursement. However, when the 2 checks are added together, the total amount is less than the amount approved.
 - A check written in January 2005 was supported by 2 disbursements included on the bill listing approved by the Council at 2 separate meetings held in December 2004 and January 2005. The 2 approved disbursements total the check amount.
 - In March 2006, check #18293 was issued for payroll taxes in the amount of \$753.41 and the check stub agrees with the face of the check. Also, in March 2006, check #18294 was issued to IPERS in the amount of \$753.41, but the check stub shows the amount to be \$364.43.
- 13 checks totaling \$8,791.90 approved in the Council minutes have not cleared the bank.
- Although a check cleared the bank for a different payee than the Council approved, the disbursement appears appropriate.
- Neither payroll by individual nor payroll in total is presented to the Council for its approval.
- Checks are manually typed; however, we noted several instances where the typed check number did not agree with the pre-printed number on the check.

Recommended Control Procedures

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

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former City Clerk had control over each of the following areas for the City:
- (1) Receipts – collection, deposit preparation, recording in receipt registers and reconciliations. The former City Clerk also maintained the shelter house/campground reservation book.
 - (2) Disbursements – authorizing and making purchases, receiving certain goods and services purchased, check preparation, counter-signing checks, distribution, recording in disbursement registers and reconciliation.
 - (3) Payroll – calculation, check preparation, counter-signing checks, distribution and comparison of time records to payroll.

- (4) Utility Billings – entering rates, preparation of billings, payment collection, posting to customer accounts, reconciliation and deposit preparation.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the duties within each function listed above should be segregated between the City Clerk, City Treasurer, Mayor and City Council Members. Bank reconciliations between the bank statements and the accounting records maintained by the City Clerk should be prepared by an independent individual. In addition, the Council should review financial records, reconciliations and supporting documentation for accounting records on a periodic basis. Also, procedures should be implemented to ensure the proper approval of transactions has been granted by the Council.

- B. Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. Also, utility collections could not be traced to deposit slips because deposit slips are totaled by type only and do not indicate if the collection was cash or check.

In addition, during our review of the meter reading sheets, we identified several accounts for which a meter reading had been performed. However, the customer history reports showed no usage or the usage entered did not agree with the meter reading sheet. Also, the January 2005 meter reading sheets could not be located.

We identified 89 customer accounts which did not have complete utility history reports. Of those accounts, 30 were identified by City officials as customers who typically make payments in cash. We also determined 65 of the 89 customers paid late or did not pay billings for several months but were not assessed late fees and/or penalties.

The City ordinance establishing the landfill charges for customers who also have sewer and water services could not be located, as well as ordinances establishing the basic charges for sewer and water services. The City water ordinance requires a \$10 late charge be assessed on delinquent customer utility accounts. The City is not following its water ordinance for assessment of late charges.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. In addition, records of collections should be maintained in sufficient detail to ensure payments recorded to the utility system can be reconciled to the deposits to the bank. The Council should review the reconciliations and monitor delinquencies each month. The Council should also ensure late fees and/or penalties are properly assessed. The City should also implement a review of billings each month to ensure proper amounts are being billed timely. In addition, the City should follow its ordinances or change or establish ordinances to its current practice.

- C. Bank Reconciliations and Accounting Records – Although monthly bank reconciliations were prepared by the City Treasurer, the reconciliations were not compared to the former City Clerk's records. In addition, detailed transactions could not be reconciled to the monthly financial reports. The City uses electronic spreadsheets to record collections and disbursements in lieu of an accounting system. A double entry system is not used and spreadsheets are not balanced monthly. Additionally, since changes in spreadsheets are overwritten, there is no way to track revisions.

Recommendation – Monthly receipts and disbursements should be reconciled to the bank each month by someone independent of the recording and custody functions and the reconciliation should be provided to the City Council for review and approval. Monthly financial reports should be reconciled to the detailed transactions; the Council should review the reports for accuracy. The City should implement a double

entry accounting system in which revisions can be tracked and accounts can be balanced monthly.

- D. Council Minutes – Chapter 21 of the *Code of Iowa* requires minutes be kept of all meetings of governmental bodies.

During our review of minutes, we determined:

- (1) Signed minutes for the February 14, 2005 Council meeting could not be located.
- (2) For 4 months, the beginning balances included in the summaries of the City Treasurer's report did not tie to the ending balances from the prior month. In addition, the City Treasurer's report consistently reported funds with deficit balances. However, there was no discussion of the deficit balances by the Council documented in the meeting minutes.
- (3) Not all disbursements were presented to the Council for its approval, not all disbursements approved by the Council were actually paid and all disbursements were not paid for the same amount as approved. Some of the disbursements appeared to be repetitive transactions, but no policy could be located allowing payment of repetitive transactions prior to Council approval. In addition, neither payroll by individual nor payroll in total is presented to the Council for its approval.

Recommendation – The Council should ensure the City Clerk and Mayor sign all meeting minutes and the signed copy of the minutes is maintained in the minute book. Deficit fund balances reported should be discussed to determine the reason for the deficits and how they will be eliminated. Summaries of the City Treasurer's report should be reviewed for accuracy, including tracing beginning balances to the ending balances from the prior month.

In addition, the Council should ensure all City obligations, including payroll, are paid by check and presented to the Council for its approval. If the Council wishes to allow the prepayment of repetitive transactions, a policy should be established which includes a description of which City obligations can be paid prior to receiving Council approval. However, these disbursements need to be subsequently presented to the Council for its approval.

- E. Business Location – The former City Clerk conducted all City business from his motor supply business. He collected payments for City business and made change, as applicable, from the business' cash register.

Recommendation – City business should be conducted from City Hall to ensure proper internal controls are implemented and City records are kept secure. City funds should not be commingled with other funds.

- F. Pre-numbered Receipts – The City uses pre-numbered receipts, but they are not initialed or signed by the preparer. In addition, receipts and deposit slips for utility collections are completed in total for each month and not by individual customer.

Recommendation – Pre-numbered receipts should be completed for each individual payment received at City Hall and an initial receipt listing should be prepared for those payments received through the mail. If a customer does not want his/her copy, the customer copy should be left in the receipt book. The preparer of the receipt should initial or sign the receipt once it's complete.

- G. Disbursements – The Mayor reviews supporting documentation prior to signing checks but there is no evidence of this review. Also, the invoices are not cancelled after the

obligation has been paid. In addition, according to City officials, the former City Clerk opened and used a Staples credit card without the Council's knowledge.

Based on a review of the check images accompanying the bank statements, it does not appear the IPERS payment for May 2006 was remitted.

Recommendation – The Mayor should initial the supporting documentation reviewed and all invoices should be cancelled to prevent their subsequent use.

In addition, credit card accounts should not be opened without Council approval. If the Council chooses to have a credit card in the City's name, a formal written policy regulating the use of City credit cards should be adopted. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

The City should contact IPERS to resolve the issue of the missed payment.

- H. Community Pool – No records were maintained to document either the admission fees or concession sales collected at the pool.

Recommendation – Records should be maintained to document all funds collected at the pool.

- I. Accounting Policies and Procedures Manual – The City does not maintain an accounting policies and procedures manual.

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

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

- J. Public Purpose – During our review of disbursements, we identified \$615.69 of purchases for items such as flower arrangements which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation – According to the 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 an improper purpose is very thin.

The Council should determine and document the public purpose served by these expenditures.

Exhibits

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

Report on Special Investigation of the
City of Schleswig

Summary of Findings
For the period January 1, 2003 through January 31, 2007

Description	Exhibit/ Table/Page	Improper	Unsupported	Total
Undeposited Collections:				
Estimated utility collections	Page 11	\$ 47,500.00	-	47,500.00
Estimated pool admissions and concessions	Page 12	3,900.00	-	3,900.00
Unpaid personal utilities	Page 12	1,212.45	-	1,212.45
Total undeposited collections		52,612.45		52,612.45
Improper and Unsupported Disbursements:				
Payments to Ron Clausen or his businesses	Exhibit B	2,637.66	3,769.96	6,407.62
Payments to vendors/other payees	Exhibit C	383.76	453.36	837.12
Copier lease	Page 15	1,785.56	-	1,785.56
Payments from the pool checking account	Exhibit D	4,667.16	577.95	5,245.11
Total improper and unsupported disbursements		9,474.14	4,801.27	14,275.41
Total		\$ 62,086.59	4,801.27	66,887.86

Report on Special Investigation of the
City of Schleswig

Improper and Unsupported Payments to Ron Clausen or Businesses Owned by Mr. Clausen
For the period July 1, 2004 through January 31, 2007

Check Number	Per Bank Image of Check			Per City's Copy of Check Stub
	Date	Payee	Amount	Description
17080	07/13/04	Ron Clausen	\$ 1,757.00	Clerk - Computer
17155	08/10/04	Ron Clausen	436.67	Other - Expense Reimbursement
**	12/20/04	**	327.55	<i>Schleswig Motor**</i>
**	01/04/05	**	382.51	<i>Schnapps Haus**</i>
17334	06/15/06	Schleswig Motor Supply	617.65	<i>Could not be located.</i>
17563	01/10/05	Ronald G Clausen	299.85	Other - Meeting Expenses - Postage
17873	07/11/05	R Clausen	400.90	Postage, Meetings
18111	11/04/05	R Clausen	166.00	Postage
18388	05/08/06	Ronald Clausen	524.61	Expenses
18418	05/25/06	Schleswig's Schnapps Haus	170.60	Pop & Machine Rental Reimbursement
18531	07/10/06	Schleswig Motor Supply	439.13	Supplies
18625	09/11/06	Schleswig Motor Supply	149.02	Supplies
18681	10/11/06	Schleswig Motor Supply	323.99	Supplies
18725	11/13/06	Schleswig Motor Supply	325.11	Supplies
18776	12/13/06	Ron Clausen	7.91	Postage
18782	12/13/06	Schleswig Motor Supply	79.12	Supplies
		Total	<u>\$ 6,407.62</u>	

** - Because the transaction was a telephone transfer, there is neither a check number nor a payee. We determined the accounts to which the funds were transferred by using the bank account numbers shown on the bank statements.

Note: Items in italics added by auditor.

Improper	Unsupported
\$ 1,757.00	-
-	436.67
327.55	-
382.51	-
-	617.65
-	299.85
-	400.90
-	166.00
-	524.61
170.60	-
-	439.13
-	149.02
-	323.99
-	325.11
-	7.91
-	79.12
<u>\$ 2,637.66</u>	<u>3,769.96</u>

Report on Special Investigation of the
City of Schleswig

Improper and Unsupported Payments to Vendors/Other Payees
For the period July 1, 2004 through January 31, 2007

Check Number	Per Bank Image of Check			Per City's Copy of Check Stub
	Date	Payee	Amount	Description
17154	08/10/04	Something Unique Inc.	\$ 243.76	Other - NWLC Meeting Favors
17284	10/16/04	Verizon	5.24	City Hall - Long Distance
17348	08/15/06	Diamond Vogel	40.77	<i>Could not be located.</i>
17790	06/14/05	Cheeta's	43.46	Charge tickets 55246 & 55370
18126	11/14/05	Tim Clausen	72.01	Other - Notary Seal
18166	12/12/05	Tim Clausen	91.30	Clerk Treasurer - Printer Drum
18624	09/11/06	Tim Clausen	132.98	Supplies
18655	09/13/06	Schleswig Community Club	207.60	Celebration
		Total	<u>\$ 837.12</u>	

Note: Items in italics added by auditor.

<u>Improper</u>	<u>Unsupported</u>	<u>Auditor Notations - Vendor Type</u>
\$ 243.76	-	Specialty clothing
5.24	-	Telephone/internet service
-	40.77	Paint supply
43.46	-	Bar & grill
-	72.01	n/a
91.30	-	n/a
-	132.98	n/a
-	207.60	Non-profit organization
<u>\$ 383.76</u>	<u>453.36</u>	

Report on Special Investigation of the
City of Schleswig

Improper and Unsupported Payments From the Pool Checking Account
For the period July 1, 2004 through January 31, 2007

Check Number	Per Bank Image of Check				Improper	Unsupported
	Date	Payee	Memo Line	Amount		
1022	06/29/04	Pepsi America	-	\$ 80.70	80.70	-
##	07/01/04	Cellular One	-	229.50	229.50	-
1024	07/20/04	Something Unique	NWIL Tankard	475.23	475.23	-
1025	08/11/04	Pepsi America	-	198.60	198.60	-
1027	09/10/04	Receivable Collection Op.	-	144.47	-	144.47
1028	12/08/04	Something Unique	-	231.06	231.06	-
1029	12/20/04	Cheeta's	-	475.78	475.78	-
1030	02/09/05	Farm Plan	-	838.05	838.05	-
1031	03/21/05	Farm Plan	-	587.72	587.72	-
1033	06/16/05	Breda Golf	-	55.12	-	55.12
1035	06/20/05	<i>Payee illegible on face of check.</i>	-	8.45	-	8.45
1036	06/20/05	Schleswig Golf Course	-	62.40	-	62.40
1038	07/22/05	Betty's	-	30.95	30.95	-
1041	09/27/05	Pepsi	-	389.60	389.60	-
1043	11/30/05	Jimmy's	Shrimp	57.00	57.00	-
1044	12/07/05	Pepsi	-	128.68	128.68	-
1045	12/24/05	Bank Iowa	-	159.53	-	159.53
1046	02/08/06	Fareway	-	49.51	-	49.51
1062	01/20/06	Cheeta's	-	484.48	484.48	-
1063	01/23/06	Staples	-	98.47	-	98.47
1064	02/01/06	Dell Financial	-	215.33	215.33	-
1065	01/20/06	Long Lines	-	108.70	108.70	-
1066	02/01/06	Pepsi	-	135.78	135.78	-
				<u>\$ 5,245.11</u>	<u>4,667.16</u>	<u>577.95</u>

- Item was an auto debit; therefore, there is no check number.

Note: Items in italics added by auditor.

Auditor Notations - Vendor Type

Soft drink distributor

Telephone service

Specialty clothing

Soft drink distributor

Unknown

Specialty clothing

Bar & grill

Credit services

Credit services

Golf course

Unknown

Golf course

Restaurant

Soft drink distributor

Frozen seafood distributor

Soft drink distributor

Bank

Grocery

Bar & grill

Office supply

Retail - personal computers

Telephone service


Soft drink distributor

Report on Special Investigation of the
City of Schleswig

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Senior Auditor II
Melissa J. Knoll-Speer, Senior Auditor
James R. Wittenwyler, Staff Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Report on Special Investigation of the
City of Schleswig

Copy of First Page of Minutes from Minute Book and
First Page of Minutes Provided to Council

From Minute Book

215

City Council Meeting
Schleswig City Council
June 13, 2005

The City Council met on June 13, 2005, at 7:00 o'clock p.m., at the City Hall, in the City of Schleswig. The meeting was called to order by the Mayor and the roll being called, the following named Council Members were present and absent:

Present: Andresen, Wilken, Boeck, Johannsen, Gronau

Absent: None

Guests and Employees present: Rick Lorenzen and Jason Carlson of Region XII Council of Governments.

Andresen introduced a motion to approve the Agenda as it had been prepared and posted by the Clerk. Boeck seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

A motion to approve the minutes of the meeting held May 09, 2005 as they had been prepared and presented to the Council was introduced by Johannsen. Wilken seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

Rick Lorenzen was present to ask the Council what they had decided concerning a no parking zone on the West Side of Sixth Street from the alley South between Birch and Cedar Streets. The Council had agreed to do a study and decide on a course of action at the next meeting. Gronau introduced a motion to install No Parking from Here to Corner signs in this area and reinstall the No Parking This Side signs on the East side of the same block. Boeck seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

After discussing the bid for a prepaid contract of 5,000 gallons of lp gas, it was decided to accept the bid of Johnson Propane at \$1.08 per gallon. Johannsen introduced a motion to this effect and Boeck seconded the same. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

After discussing the regular four year audit for the City of Schleswig, it was moved by Boeck to have the City Clerk ask the State Auditor's Office to delay the audit for a year because of the recent purchase of a new computer system, a changing of the accounting structure, and the financial committee's failure to budget any funds for the audit. Andresen seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

The following bills were presented to the Council for their consideration.

Loren Jepsen	Clothing Allowance	\$ 28.50
Schleswig Leader	Ad & Proceedings	\$ 122.01
Teut's bp	Fuel	\$ 296.43
Cheeta's	Supplies	\$ 43.46
Gary's Seamless Gutters	Repairs	\$ 5.00
The Hcuffman Agency	Endorsement	\$ 145.00
Schleswig Motor	Supplies	\$ 145.21
Vetter Equipment	Mower Filters	\$ 33.60
ACCO	Chemicals & Supp.	\$ 1,927.34
Mangold Testing	Tests	\$ 360.00
Iowa Office Supply	Supplies	\$ 63.96
Schleswig Plumbing	Barricade Tape	\$ 356.64
Ed Feld Equipment	Equipment Repair	\$ 141.60
Bonsall TV	Radio Repair	\$ 72.97
Denison Do It Best	Pool Cleaning	\$ 61.74
USA Blue Book	Breaker	\$ 20.41
Iowa One Call	Line Locate	\$ 20.70
Crawford County Landfill	Fees	\$ 56.80
Allen K Nepper	Legal Fees	\$ 235.89
PPP Design	Hosting Server	\$ 68.85
Environ Health Dept	Inspections	\$ 283.50
Crawford County	Law Enforce Contract	\$ 5,000.00
Bomgears	Ladder	\$ 178.28
Uptown Sporting Goods	Bikini & Trunks	\$ 71.50

Report on Special Investigation of the
City of Schleswig

Copy of First Page of Minutes from Minute Book and
First Page of Minutes Provided to Council

Provided to Council

City Council Meeting
Schleswig City Council
June 13, 2005

The City Council met on June 13, 2005, at 7:00 o'clock p.m., at the City Hall, in the City of Schleswig. The meeting was called to order by the Mayor and the roll being called, the following named Council Members were present and absent:

Present: Andresen, Wilken, Boeck, Johannsen, Gronau

Absent: None

Guests and Employees present: Rick Lorenzen and Jason Carlson of Region XII Council of Governments.

Andresen introduced a motion to approve the Agenda as it had been prepared and posted by the Clerk. Boeck seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

A motion to approve the minutes of the meeting held May 09, 2005 as they had been prepared and presented to the Council was introduced by Johannsen. Wilken seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

Rick Lorenzen was present to ask the Council what they had decided concerning a no parking zone on the West Side of Sixth Street from the alley South between Birch and Cedar Streets. The Council had agreed to do a study and decide on a course of action at the next meeting. Gronau introduced a motion to install No Parking from Here to Corner signs in this area and reinstall the No Parking This Side signs on the East side of the same block. Boeck seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

After discussing the bid for a prepaid contract of 5,000 gallons of lp gas, it was decided to accept the bid of Johnson Propane at \$1.08 per gallon. Johannsen introduced a motion to this effect and Boeck seconded the same. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

The following bills were presented to the Council for their consideration.

Loren Jepsen	Clothing Allowance	\$ 28.50
Schleswig Leader	Ad & Proceedings	\$ 122.01
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PPP Design	Hosting Server	\$ 68.85
Environ Health Dept	Inspections	\$ 283.50
Crawford County	Law Enforce Contract	\$ 5,000.00
Bomgaars	Ladder	\$ 178.28
Uptown Sporting Goods	Bikini & Trunks	\$ 71.50

Upon review of these presented bills, Boeck moved to pay the bills as presented. Johannsen seconded the motion. Upon the call for the vote of the Council on the said motion, Mayor Petersen declared the motion approved 5-0.

Jason was present to conduct a survey for the Hazard Mitigation Plan for the City of Schleswig. Region XII will be applying for the approval of this plan from the EPA.

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

Report on Special Investigation of the
City of Schleswig

Copies of Billing Statements Provided by a Utility Customer

METER READ	07/20/06	08/21/06	USAGE	AMOUNT
26300	27000	700		
Prior Balance				17.26
Payments				-17.26
WATER				2.98
Tower Loan Repayment				5.00
Line Loan Repayment				4.00
Landfill 2				2.00
Basic Charge 2				5.00
Tax				0.56
Total Due				19.54

paid 9-25-06

DUE DATE	09/15/06	AMT. DUE	19.54
ACCT. NO.	77	IF LATE PAY	
BILL DATE	09/01/06	SRV. TYPE	Residential
STREET ADDRESS			

METER READ	08/21/06	09/20/06	USAGE	AMOUNT
27000	27200	200		
Prior Balance				19.54
Payments				-19.54
WATER				0.85
Tower Loan Repayment				5.00
Line Loan Repayment				4.00
Landfill 2				2.00
Basic Charge 2				5.00
Tax				0.41
Total Due				17.26

paid 10-2-06

DUE DATE	10/15/06	AMT. DUE	17.26
ACCT. NO.	77	IF LATE PAY	
BILL DATE	10/01/06	SRV. TYPE	Residential
STREET ADDRESS			

METER READ	09/20/06	10/20/06	USAGE	AMOUNT
27200	27400	200		
Prior Balance				17.26
Payments				-17.26
WATER				0.85
Tower Loan Repayment				5.00
Line Loan Repayment				4.00
Landfill 2				2.00
Basic Charge 2				5.00
Tax				0.41
Total Due				17.26

paid 11-6-06

DUE DATE	11/15/06	AMT. DUE	17.26
ACCT. NO.	77	IF LATE PAY	
BILL DATE	11/01/06	SRV. TYPE	Residential
STREET ADDRESS			

METER READ	10/20/06	11/20/06	USAGE	AMOUNT
27400	28200	800		
Prior Balance				17.26
Payments				-17.26
WATER				3.40
Tower Loan Repayment				5.00
Line Loan Repayment				4.00
Landfill 2				2.00
Basic Charge 2				5.00
Tax				0.59
Total Due				19.99

pd 12-11-06

DUE DATE	12/15/06	AMT. DUE	19.99
ACCT. NO.	77	IF LATE PAY	
BILL DATE	12/01/06	SRV. TYPE	Residential
STREET ADDRESS			

Report on Special Investigation of the
City of Schleswig

Copy of the Utility Deposit Identified in Ron Clausen's Business Bank Account

Bank Iowa Savings • Checking • Money • Business		CURRENCY		DOLLARS	CENTS
DATE <u>3-14-06</u>		COINS			
Please Use Your Account Number		CHECKS			
NAME _____		Landfill	212	00	
ADDRESS _____		DO WATER	333	00	
		TOTAL SALES TAX	96	00	
		Water	528	52	
		POWER	197	56	
		TOTAL OF CHECKS			
		LESS CASH			
		DEPOSIT			
		TOTAL DEPOSIT	11,09	66	
		Deposit may not be available for immediate withdrawal.			

Seq. 4008000, Acct # [REDACTED] Credit, 03/14/2006, \$1,409.66

CLADYS RUSCH 8006
SCHLESWIG, IA 51461

DATE March 13-06

PAY TO THE ORDER OF City of Schleswig \$ 30.24
Thirty dollars and 24/100 DOLLARS

Bank Iowa
Savings • Checking • Money • Business

For Clady Rusch

MEMO: Utilities

Seq. 4008020, Acct # [REDACTED] Debit # 8006, 03/14/2006, \$30.24

JOHN A. HANSEN DL 8564Y8288 71-2224/739 2137
DENSON, IA 51443

DATE 3-13-06

Pay to the Order of City of Schleswig \$ 52.28
Fifty two and 28/100 Dollars

Bank Iowa
SCHLESWIG, IA 51461

For John A. Hansen

Seq. 4008040, Acct # [REDACTED] Debit # 2137, 03/14/2006, \$52.28

MICHAEL J. REDENIUS 2868
SCHLESWIG, IA 51461

DATE 3-10-06

Pay to City of Schleswig \$ 53.54
Fifty three and 54/100 Dollars

Bank Iowa
Savings • Checking • Money • Business

For Michael Redenius

Seq. 4008060, Acct # [REDACTED] Debit # 2868, 03/14/2006, \$53.54

WAYNE LAFRENTZ 2552
SCHLESWIG, IA 51461

DATE 3-11-06

PAY TO THE ORDER OF CITY OF SCHLESWIG \$ 384.37
Three hundred eighty four and 37/100 Dollars

UNITED BANK of IOWA
DENSON, IOWA 51443 • (712) 263-9055

For Wayne Lafrentz

Seq. 4008080, Acct # [REDACTED] Debit # 2552, 03/14/2006, \$384.37

STEVEN WADE GURNEY 2367
SCHLESWIG, IA 51461

DATE 3-11-06

PAY TO THE ORDER OF City of Schleswig \$ 61.10
Sixty one and 10/100 Dollars

UNITED BANK of IOWA
DENSON, IOWA 51443 • (712) 263-9055

Check Plus
For Andrea Gurney

Seq. 4008100, Acct # [REDACTED] Debit # 2367, 03/14/2006, \$61.10

KENNETH OR LAURIE MILLER 0937
SCHLESWIG, IA 51461

DATE 3-9-06

Pay to the Order of City of Schleswig \$ 66.78
Sixty six and 78/100 Dollars

CRAWFORD
DENSON, IOWA 51443

For Laurie Miller

Seq. 4008120, Acct # [REDACTED] Debit # 937, 03/14/2006, \$66.78

KAREN WOOD 3992
SCHLESWIG, IA 51461

DATE 3/11/06

PAY TO THE ORDER OF City of Schleswig \$ 28.35
Twenty eight and 35/100 Dollars

Bank Iowa
Savings • Checking • Money • Business

For Karen Wood

Seq. 4008140, Acct # [REDACTED] Debit # 3992, 03/14/2006, \$28.35

DONALD OR DOROTHY KORNER 4543
SCHLESWIG, IA 51461

DATE 3-12-06

PAY TO THE ORDER OF City of Schleswig \$ 42.83
Forty two and 83/100 Dollars

Bank Iowa
Savings • Checking • Money • Business

For Dorothy Korner

Seq. 4008160, Acct # [REDACTED] Debit # 4543, 03/14/2006, \$42.83

WILLIAM OR PEGGY ALDAG 4740
SCHLESWIG, IA 51461

DATE 3-13-06

PAY TO THE ORDER OF City of Schleswig \$ 45.98
Forty five and 98/100 Dollars

Bank Iowa
Savings • Checking • Money • Business

For Peggy Aldag

Seq. 4008180, Acct # [REDACTED] Debit # 4740, 03/14/2006, \$45.98

Report on Special Investigation of the City of Schleswig

Copy of the Utility Deposit Identified in Ron Clausen's Business Bank Account

PAUL ROGER BAER
MARLENE BAER
SCHLESWIG, IA 51461-0234
DATE 3-12-06
PAY TO THE ORDER OF City of Schleswig \$ 49.76
Forty nine and 76/100
Bank Iowa
Seq. 4008200, Acct # [REDACTED] Debit # 5034, 03/14/2006, \$49.76

THERESE M SLECHTA
RICK SLECHTA
SCHLESWIG, IA 51461-1018
DATE 3-11-06
PAY TO THE ORDER OF City of Schleswig \$ 49.76
Forty-nine and 76/100
Bank Iowa
Seq. 4008220, Acct # [REDACTED] Debit # 7061, 03/14/2006, \$49.76

TINA E. PRELL
SCHLESWIG, IA 51461
DATE 3-1-06
PAY TO THE ORDER OF City of Schleswig \$ 64.26
Sixty four and 26/100
NORTH STAR
Seq. 4008240, Acct # [REDACTED] Debit # 596, 03/14/2006, \$64.26

Christene M. Prude
SCHLESWIG, IA 51461
DATE 3/1/06
PAY TO THE ORDER OF City of Schleswig \$ 57.25
Fifty seven and 25/100
UNITED BANK OF IOWA
Seq. 4008260, Acct # [REDACTED] Debit # 3345, 03/14/2006, \$57.25

SHARON K. PETERS
SCHLESWIG, IA 51461
DATE 3/1/06
PAY TO THE ORDER OF City of Schleswig \$ 17.54
Seventeen and 54/100
Bank Iowa
Seq. 4008280, Acct # [REDACTED] Debit # 2618, 03/14/2006, \$17.54

CORY THIES
DENISON, IA 51442
DATE 3/1/2006
PAY TO THE ORDER OF City of Schleswig \$ 40.32
Forty dollars and 32/100
CONSUMERS CREDIT UNION
Seq. 4008300, Acct # [REDACTED] Debit # 4481, 03/14/2006, \$40.32

SCHINGO INC
SCHLESWIG, IA 51461
DATE 3-8-06
PAY TO THE ORDER OF City of Schleswig \$ 28.35
Twenty eight and 35/100
BANK IOWA
Seq. 4008320, Acct # [REDACTED] Debit # 6364, 03/14/2006, \$28.35

SHEILA FERRY
SCHLESWIG, IA 51461
DATE 3-8-06
PAY TO THE ORDER OF City of Schleswig \$ 42.00
Forty two and 00/100
UNITED BANK OF IOWA
Seq. 4008340, Acct # [REDACTED] Debit # 1244, 03/14/2006, \$42.00

AMY K. OSTERBUHR
SCHLESWIG, IA 51461
DATE 3/1/06
PAY TO THE ORDER OF City of Schleswig \$ 39.07
Thirty nine and 07/100
UNITED BANK OF IOWA
Seq. 4008360, Acct # [REDACTED] Debit # 1404, 03/14/2006, \$39.07

LESLIE C. SCHULTZ
PATRICIA A. SCHULTZ
SCHLESWIG, IA 51461
DATE 3-10-06
PAY TO THE ORDER OF City of Schleswig \$ 86.94
Eighty six and 94/100
UNITED BANK OF IOWA
Seq. 4008380, Acct # [REDACTED] Debit # 3989, 03/14/2006, \$86.94

Report on Special Investigation of the City of Schleswig

Copy of the Utility Deposit Identified in Ron Clausen's Business Bank Account

July or Richard Hupp 72-281728 6065
 Schleswig, IA 51461
 City of Schleswig \$ 61.10
 Sixty one dollar and 10/100
 CRAWFORD COUNTY TRUST & SAVINGS BANK
 DENISON, IOWA 51442
 Acc't No. 143 Richard Hupp
 #073902889# 5065 #0000006110#

Seq. 4008400, Acct # [redacted] Debit # 6065, 03/14/2006, \$61.10

Grant or Janette Clauson 72-224-728 4091
 Schleswig, IA 51461
 City of Schleswig \$ 70.54
 Seventy 54/100
 BANK IOWA
 SCHLESWIG, IA 51461
 For Ron Clausen
 #07392224# [redacted] #0000007054#

Seq. 4008420, Acct # [redacted] Debit # 4091, 03/14/2006, \$70.54

ABE CRONAU 72-224-728 5082
 SCHLESWIG, IA 51461
 City of Schleswig \$ 47.24
 Forty seven and 24/100
 Bank Iowa
 Your Success, Our Priority.
 ABE CRONAU
 #07392224# [redacted] 5082 #0000004724#

Seq. 4008440, Acct # [redacted] Debit # 5082, 03/14/2006, \$47.24

RICHARD OR MARIE PETERS 72-224-728 8764
 SCHLESWIG, IA 51461
 City of Schleswig \$ 49.76
 Forty nine and 76/100
 Bank Iowa
 Your Success, Our Priority.
 Mrs. Marie Peters
 #07392224# [redacted] 8764 #0000004976#

Seq. 4008460, Acct # [redacted] Debit # 8764, 03/14/2006, \$49.76

FARMERS FEED & GRAIN 14880
 SCHLESWIG, IA 51461
 City of Schleswig \$ 41.74
 Forty one and 74/100
 UNITED BANK
 OF IOWA
 #014880# [redacted] #0000004174#

Seq. 4008480, Acct # [redacted] Debit # 14880, 03/14/2006, \$41.74

Farmers Cooperative Elevator Company 28731
 Arcada, Iowa 51400
 Eighty Five Dollars and 16 Cents
 CITY OF SCHLESWIG
 P.O. BOX 549
 SCHLESWIG, IA 51461
 #028731# #053200019# [redacted] #0000008516#

Seq. 4008500, Acct # [redacted] Debit # 28731, 03/14/2006, \$85.16

Check No. 80750
 City of Schleswig \$ 29.69
 Twenty nine and 69/100
 #00080750# #041203824# [redacted] #0000002969#

Seq. 4008520, Acct # [redacted] Debit # 80750, 03/14/2006, \$29.69

CHARTER OAK AG SUPPLY, INC. 17571
 FARM BANK
 ELWOOD, IOWA 50027
 MEMBER F.D.I.C.
 17571 03/09/06 *****16.35*
 Sixteen and thirty-five/100
 CITY OF SCHLESWIG
 P.O. BOX 549
 111 2ND ST
 SCHLESWIG IA 51461
 #017571# #073900975# [redacted] #0000001635#

Seq. 4008540, Acct # [redacted] Debit # 17571, 03/14/2006, \$16.35

BURNER FUNERAL HOME 15118
 DENISON/COURT GRASS CREEK/STEWARTSIDE
 1111 BROADWAY
 DENISON, IA 51402
 City of Schleswig \$ 19.61
 #0000015118# #073000228# [redacted] #0000001961#

Seq. 4008560, Acct # [redacted] Debit # 15118, 03/14/2006, \$19.61

FARM SERVICE COOPERATIVE 558287
 WELLS FARGO BANK, N.A.
 3/10/2006 62272
 Sixteen Dollars & Thirty Five Cents
 *****16.35*
 CITY OF SCHLESWIG
 P.O. BOX 549
 111 2ND ST
 SCHLESWIG IA 51461
 #558287# #073902124# [redacted] #0000001635#

Seq. 4008580, Acct # [redacted] Debit # 558287, 03/14/2006, \$16.35

Report on Special Investigation of the
City of Schleswig

Copy of the Utility Deposit Identified in Ron Clausen's Business Bank Account

MIDAMERICAN
ENERGY SERVICES COMPANY
3000 CH. 14, S102
PHONES: (712) 277-7499

078117

Form No 28155 R

Check Amount
\$*****18.99

Pay to the Order of
CITY OF SCHLESWIG
PO BOX 549
SCHLESWIG IA

Date 03/14/06
Valid No. Days from Date of Issue

51240

000078117 00311002670 508 0000001899

Seq. 4008600, Acct # [REDACTED] Debit # 78117, 03/14/2006, \$18.99

ACCOUNT # 322
CHECK # 118287068
DATE 03/14/2006

00288784-AC

0010001

04007818

03/14/2006

118287068

322
WATER BILL DEC - SUBSCRIPTION

WIS SIGMUND S SIGMUND

*****\$42.00****

OFFICIAL CHECK DRAWER: CITIBANK, N.A.

PAY TO THE ORDER OF CITY OF SCHLESWIG

AMOUNT FORTY TWO DOLLARS AND 00/100

0000004200

790448 002000868 0000004200

Seq. 4008620, Acct # [REDACTED] Debit # 790448, 03/14/2006, \$42.00

13964

KRAGEL, INC.

BANK OF WA
DENISON - SCHLESWIG - MARILLA - RICHTER 3/13/2006

PAY TO THE ORDER OF City of Schleswig \$16.35

Sixteen and 35/100 DOLLARS

CITY OF SCHLESWIG
PO BOX 549
SCHLESWIG IA 51401-0549

MEMO

013964 007392224 0000001635

Seq. 4008640, Acct # [REDACTED] Debit # 13964, 03/14/2006, \$16.35

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

Report on Special Investigation of the
City of Schleswig

Copies of Invoices from Pepsi

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PAGE 1

PEPSI-COLA GEN. BOT. IN
PO BOX 806
HWY 71 NORTH
CARROLL, IA 51401
(712) 792-3516

INVOICE 5241534109
PO/DSD:
STORE: 0
DIST PT: 1270412
CUST ID: 66349
TAX ID:
VENDOR/DUNS:

Schnapp's Haus
203 Cedar St
Schleswig, IA, 51461

DRIVER: 611897 Larsen, Scott A
DELIVERY: 2005-12-07 9:01:56
DUE DATE: 2006-01-06
ORDER#: 5050995
ROUTE: 110
ASM: 290346

ITEM	DESCRIPTION	UPC	QTY	GROSS PRICE		DISCOUNTS		NET	DEPOSIT		NET
				UNIT	EXT	UNIT	EXT	PRICE	UNIT	EXT	AMOUNT
----- SALES -----											
5108	PEPSI COLA 12 Z CN 6P	0-1200000013-3	6	13.00	78.00	4.50	27.00	8.50	1.20	7.20	68.20
5140	MT DEM 12 Z CN 6P	0-1200000085-0	2	13.00	26.00	4.50	9.00	8.50	1.20	2.40	19.40
5455	DR PEPPER 12 Z CN 6P	0-7800000315-4	1	13.00	13.00	4.50	4.50	8.50	1.20	1.20	9.70
	SUBTOTAL 120ZCN6P		9		87.30						
2022	MISC SALES BAG DEP		10	0.00	0.00	0.00	0.00	0.00	0.50	5.00	5.00
	SUBTOTAL MISCHISMIS		10		5.00						
	TOTAL SALES		19		92.30						

----- SALES - MISC -----											
3459	MISC ACCTG SLS/USE TAX		1	2.38	2.38	0.00	0.00	2.38	0.00	0.00	2.38
4358	MISC ACCTG RENTAL COST		1	34.00	34.00	0.00	0.00	34.00	0.00	0.00	34.00
	SUBTOTAL MISCHISMIS		2		36.38						
	TOTAL SALES - MISC		2		36.38						

SALES QTY	19	SALES AMOUNT	117.00
RETURN QTY	0	RETURN AMOUNT	0.00
EMPILES QTY	0	MISC AMOUNT	36.38
		ALLOWANCE AMOUNT	-40.50
		DEPOSIT AMOUNT	15.80
TERMS: CASH		NET DUE	128.68

***** THANK YOU *****

CUSTOMER SIGNATURE

1290124001105241534109012704122341116 1290124001105241534109012704122341116

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City of Schleswig

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PAGE 1

PEPSI-COLA GEN. BOT. IN
PO BOX 806
HWY 71 NORTH
CARROLL, IA 51401
(712) 792-3516

INVOICE 6241503209
PO/DSD:
STORE: 0
DIST PT: 1270412
CUST ID: 66349
TAX ID:
VENDOR/DUNS:

Schnapp's Haus
203 Cedar St
Schleswig, IA, 51461

DRIVER: 611897 Larsen, Scott A
DELIVERY: 2006-02-01 9:08:26
DUE DATE: 2006-03-03
ORDER# 5589025
ROUTE: 110
ASM: 290346

ITEM	DESCRIPTION	UPC	QTY	GROSS PRICE		DISCOUNTS		NET	DEPOSIT		NET
				UNIT	EXT	UNIT	EXT	PRICE	UNIT	EXT	AMOUNT
~~*~*~*~* SALES *~*~*~*~*~*											
4773	DOLE 100% PPM 15.20Z NR P	0-1200001781-0	1	15.00	15.00	4.50	4.50	10.50	0.00	0.00	10.50
4774	DOLE 100% STRW 15.20Z NR P	0-1200001782-7	1	15.00	15.00	4.50	4.50	10.50	0.00	0.00	10.50
6238	DOLE ORANGE 15.20Z. NR P	0-1200000187-1	1	15.00	15.00	4.50	4.50	10.50	0.00	0.00	10.50
SUBTOTAL 15.20ZNRPLS12UC			3	31.50							
5108	*PEPSI COLA 12 Z CN 6P	0-1200000013-3	4	13.00	52.00	4.50	18.00	8.50	1.20	4.80	38.80
5140	*MT DEW 12 Z CN 6P	0-1200000085-0	2	13.00	26.00	4.50	9.00	8.50	1.20	2.40	19.40
5455	*DR PEPPER 12 Z CN 6P	0-7800000315-4	1	13.00	13.00	4.50	4.50	8.50	1.20	1.20	9.70
SUBTOTAL 120ZCN6P			7	67.90							
TOTAL SALES			10	99.40							

~~*~*~*~* SALES - MISC *~*~*~*~*~*											
3459	MISC ACCTG SLS/USE TAX	-	1	2.38	2.38	0.00	0.00	2.38	0.00	0.00	2.38
4358	MISC ACCTG RENTAL COST	-	1	34.00	34.00	0.00	0.00	34.00	0.00	0.00	34.00
TOTAL SALES - MISC			2	36.38							

SALES QTY	10	SALES AMOUNT	136.00
RETURN QTY	0	RETURN AMOUNT	0.00
EMPTIES QTY	0	MISC AMOUNT	36.38
		ALLOWANCE AMOUNT	-45.00
		DEPOSIT AMOUNT	8.40

TERMS: CASH

NET DUE 135.78

***** THANK YOU *****

1290124001106241503209012704122032116 1290124001106241503209012704122032116

Report on Special Investigation of the
City of Schleswig

Copy of Ron Clausen's Long Lines Customer History

CUSHISS.40 *****
18-Mar-08 11:20 AM PIONEER INTERNET page 1

Customer Balance History File Information

For: 427-4510 0210304
RONALD CLAUSEN
From: 12/01/05 - 03/31/06

DATE	FROM	DESCRIPTION	DR	CR	ADJUSTMENT	CURRENT	30 DAY	60 DAY	90 DAY	TOTAL DUE
	BALANCE					-3.00	0.00	0.00	0.00	-3.00
01MAR06	BILLCOMP	FILTERING FEES	1.00		1.00					
		INTERNET MONTHLY FEE	24.95		24.95					
		TOTAL	25.95		25.95					
	BALANCE					-28.95	0.00	0.00	0.00	-28.95
30JAN06	CASH	CASH		108.70						
	BALANCE					28.95	28.95	21.85	0.00	79.75
01FEB06	BILLCOMP	FILTERING FEES	1.00		1.00					
		INTERNET MONTHLY FEE	24.95		24.95					
		LATE PAYMENT - INTERNET	3.00		3.00					
		TOTAL	28.95		28.95					
	BALANCE					28.95	21.85	0.00	0.00	50.80
01JAN06	BILLCOMP	FILTERING FEES	1.00		1.00					
		INTERNET MONTHLY FEE	24.95		24.95					
		LATE PAYMENT - INTERNET	3.00		3.00					
		TOTAL	28.95		28.95					
	BALANCE					21.85	0.00	0.00	0.00	21.85
01DEC05	BILLCOMP	FILTERING FEES	1.00		1.00					
		INTERNET MONTHLY FEE	24.95		24.95					
		TOTAL	25.95		25.95					

Ronald Clausen
c/o Schleswig Motor Supply
PO Box 549
400 Dale Street
Schleswig, IA 51461-0549