



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

## NEWS RELEASE

Contact: David A. Vaudt  
515/281-5835  
or Tami Kusian  
515/281-5834

FOR RELEASE January 23, 2004

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Preston Library for the period June 14, 1999 through August 25, 2003. The special investigation was initiated as a result of concerns identified by the Library's Board of Directors. The Library's former Director resigned on February 28, 2003 as a result of the Board's concerns.

Vaudt reported the special investigation identified \$3,038.30 of improper purchases. In addition, Vaudt reported it could not be determined if the payroll amounts paid to the former Director were appropriate due to the lack of controls surrounding the preparation and approval of her timecards. Vaudt also reported it could not be determined whether additional amounts may have been misappropriated from library fines collected between February 5, 2000 and February 28, 2003 because complete records were not available from the Library's computer system.

Most of the improper purchases identified were made using two authorized Library credit cards and one unauthorized credit card issued to the former Library Director in the Library's name. The personal purchases on the credit cards included items such as the final payment on a camcorder, prescriptions, fabric and notions, and health and beauty products. Reimbursement for the improper purchases has been made to the Library by the former Director.

Copies of the report have been filed with the Jackson 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 City's Administrative Office and the Office of Auditor of State. A copy of the report is also available on the Auditor of State's web site at [www.state.ia.us/government/auditor/reports](http://www.state.ia.us/government/auditor/reports).

###

**REPORT ON SPECIAL INVESTIGATION  
OF THE  
CITY OF PRESTON LIBRARY**

**FOR THE PERIOD JUNE 14, 1999 THROUGH AUGUST 25, 2003**

## Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5
Detailed Findings	5-7
Recommended Control Procedures	7-8
Exhibits:	<u>Exhibits</u>
Summary of Findings	A 10
Summary of Activity on the VISA Credit Card	B 11
Summary of Activity on the Sam's Club Charge Account	C 13
Summary of Activity on the Unauthorized Platinum Plus Credit Card	D 14-15
Staff	16



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

## Auditor of State's Report

To the Honorable Mayor, Members of the City Council  
and Members of the Preston Library Board of Directors:

As a result of alleged improprieties regarding certain purchases and disbursements, we conducted a special investigation of the City of Preston Library. We have applied certain tests and procedures to selected financial transactions of the Library for the period June 14, 1999 through August 25, 2003. Based on discussions with City and Library personnel and officials, and a review of relevant information, we performed the following procedures for the time periods specified:

- (1) Evaluated the Library's internal controls to determine whether adequate policies and procedures were in place and operating effectively for the period July 1, 2002 through June 30, 2003.
- (2) Examined documentation available from the City to determine if purchases charged to the following accounts were appropriate:
  - VISA credit card (for the period December 4, 2002 through March 31, 2003),
  - Sam's Club charge account (for the period September 24, 2002 through March 5, 2003),
  - Platinum Plus credit card (for the period September 8, 2001 through July 14, 2003).
- (3) Examined the Library's payroll records and employee timecards for the period January 1, 2002 through February 28, 2003 to determine if the amounts disbursed were appropriate.
- (4) Examined information maintained on the Library's computer system regarding the fines assessed and collected from Library patrons for the period February 5, 2000 through February 28, 2003 to determine if collected fines were appropriately deposited to the City.
- (5) Examined documentation prepared by Board members to calculate the amount owed to the Library by the former Library Director.
- (6) Examined receipt documentation maintained by the City Clerk to verify the amounts repaid to the Library by the former Library Director between March 3, 2003 and August 25, 2003.

These procedures identified \$3,038.30 of inappropriate purchases using Library funds or credit cards issued in the Library's name. We were unable to determine if the payroll amounts paid to the former Director were appropriate due to the lack of controls surrounding the preparation and approval of her timecards. We were also unable to determine whether

additional amounts may have been misappropriated from library fines collected between February 5, 2000 and February 28, 2003 because complete records were not available from the Library's computer system. Several internal control weaknesses were also 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 Preston's Library, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Jackson 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 Preston, the Preston Library and the members of the Preston Library Board during the course of our investigation.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 12, 2003

---

City of Preston Library

Investigative Summary

**Background Information**

The City of Preston is a political subdivision of the State of Iowa located in Jackson County. It operates under the Home Rule provisions of the Constitution of Iowa and the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements and general administrative services.

The Preston Library is a department of the City of Preston. The Library is governed by a Board of Directors consisting of seven members. The Board appointed Brenda Mussmann as the Library Director on June 14, 1999. As the Director, Ms. Mussmann was responsible for the daily operations of the Library, general administration, staff supervision and financial reporting to the Board and City personnel and officials.

In February 2003, employees of the Library and City raised concerns regarding undeposited library fines and certain purchases made by Ms. Mussmann. The Board addressed these concerns with Ms. Mussmann, who agreed to reimburse the Library for the improper purchases and resign her position. At the February 28, 2003 Board meeting, Ms. Mussmann submitted her resignation.

As a result of the irregularities identified by the Board of Directors, the Office of Auditor of State conducted an investigation and performed the procedures detailed in the Auditor of State's Report for the period June 14, 1999 through August 25, 2003.

**Detailed Findings**

The procedures we performed identified \$3,038.30 of improper purchases. We were unable to determine if the payroll amounts paid to the former Director were appropriate due to the lack of controls surrounding the preparation and approval of her timecards. We were also unable to determine whether additional amounts may have been misappropriated from collections of library fines between February 5, 2000 and February 28, 2003 because complete records were not available from the Library's computer system. All findings are summarized in **Exhibit A** and a detailed explanation of each finding is below.

**IMPROPER PURCHASES**

**Personal Purchases** – Board members, with the assistance of Library staff, identified certain items purchased with Library funds which could not be accounted for by the Library. Prior to Ms. Mussmann's resignation, each of the items identified was discussed with Ms. Mussmann and she agreed to reimburse the Library the costs shown in the following table. We have reviewed the Library's documentation related to these items and have included the total value of \$153.34 in **Exhibit A**.

<b>Description</b>	<b>Amount</b>
Garfield	\$ 6.73
Graduation cards	17.83
Videos	69.91
<i>La Cage Aux Folles</i>	14.98
<i>Artemis Fowl</i>	11.95
<i>The Gift of Peace</i>	16.95
Richard Sim book	14.99
Total	<u>\$ 153.34</u>

---

**Credit Card Purchases** – According to a Board member, during March 2003 the Library was contacted by a collection agency regarding two credit cards with overdue balances. The cards had been in Ms. Mussmann’s possession. They were authorized by the Board and were to be used to purchase books, movies and various supplies for the Library. The credit cards were cancelled and the Library paid the balance due on each card. According to the Board member, at the time of the payments, \$255.16 was due on the VISA card and \$344.34 was due on the Sam’s Club charge account.

The charges on the credit cards were examined and determined to be personal in nature rather than for the Library. **Exhibit B** summarizes the activity on the VISA credit card and **Exhibit C** summarizes the activity on the Sam’s Club charge account. As illustrated in **Exhibit B**, the December 31, 2002 VISA statement had a beginning balance of \$97.74. Library officials were not able to obtain the previous month’s statement to determine the composition of the balance. The amounts paid by the Library on these accounts are included in **Exhibit A**.

In addition to the VISA and Sam’s Club charge accounts, Ms. Mussmann was authorized to use a Target credit card issued in the Library’s name. We reviewed the payments made by the Library on this account but did not identify any improper purchases.

The Board member also stated the Library received a call in June 2003 from a collection agency regarding a balance due on a credit card issued in the Library’s name to Ms. Mussmann. Upon further investigation, it was determined the credit card was not authorized by the Board and monthly statements had been sent to Ms. Mussmann’s home. The Board chose to pay the \$2,285.46 balance due on the account and seek reimbursement from Ms. Mussmann. She subsequently reimbursed the Library for the payment. The activity on the credit card is summarized in **Exhibit D**. The \$2,285.46 paid by the Library is included in **Exhibit A**.

## **PAYROLL**

Prior to December 23, 2002, Library staff maintained manual records of their time worked. The manual timecards were not reviewed or approved by a supervisor or other independent party. Since December 23, 2002, the use of a time clock has been required to record hours worked. In addition, timecards were to be reviewed and approved by the Deputy City Clerk. However, we identified several timecards from 2003 that were not properly approved. In addition, we identified several timecards that were manually prepared by Ms. Mussmann during 2003.

Due to the lack of controls surrounding the preparation and approval of Ms. Mussmann’s timecards, we are not able to determine if the amounts paid to Ms. Mussmann were appropriate.

## **UNDEPOSITED RECEIPTS**

Library fines and other fees collected from patrons are to be deposited with the City Clerk on a periodic basis.

The Library implemented an automated computer system on February 5, 2000 to electronically track the Library’s books, assess library fines and record related collections. Based on our discussions with Library staff and observations of the capabilities of the computer system, we determined fine information can be overwritten, credited or removed from the computer system at the discretion of the Library employee using the computer. As a result of the lack of controls over the computer system, we were unable to determine if collected library fines were appropriately deposited with the City Clerk.

We also examined financial information for the Library prepared by Ms. Mussmann and compared it to information recorded by the City Clerk. While we did not identify any variances during our review, we are not able to provide any assurances the information prepared by Ms. Mussmann is complete and accurate due to the lack of internal controls surrounding the financial reporting process used by the Library.

**FUNDS RETURNED TO THE LIBRARY BY MS. MUSSMANN**

After her resignation, Ms. Mussmann reimbursed the Library for the items identified by the Board. The following table summarizes the payments made to the Library by Ms. Mussmann. As illustrated by the table, the payments exceed the \$3,038.30 of improper purchases identified. According to a Board member we spoke with, the \$49.24 difference is considered restitution for the time the Board and the Library employees spent investigating this matter.

<b>Date</b>	<b>Description</b>	<b>Amount</b>
03/03/03	Withholding of last paycheck	\$ 315.21
03/03/03	Withholding of mileage reimbursement	41.31
04/07/03	Payment to City of Preston Library	269.96
07/08/03	Payment to City of Preston Library	1,711.06
07/28/03	Payment to City of Preston Library	700.00
08/25/03	Payment to City of Preston Library	50.00
	Total	<u>\$ 3,087.54</u>

**Recommended Control Procedures**

As part of our investigation, we reviewed the procedures used by the City of Preston Library to process collections, disbursements and payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that 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 Library’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 with are incompatible. The former Director had control over each of the following areas for the Library:
  - (1) Petty cash/change – custody, replenishment and disbursements.
  - (2) Receipts – collecting, depositing, and posting to the Library’s records.
  - (3) Payroll – preparation and approval of personal timecards.
  - (4) Purchasing – authorizing purchase requests and purchasing items.

Recommendation – We realize that with a limited number of employees, segregation of duties is difficult. However, the duties within each function listed above should be segregated between appropriate employees of the Library and City. In addition, members of the Library Board should review financial records,



---

reconciliations and supporting documentation for accounting records on a periodic basis.

- B. Timesheets – The former Director did not consistently use the time clock to record hours worked for the Library and her timecards were often not reviewed and approved by an independent party. As a result, we were unable to determine if the amounts paid to the former Director were appropriate.

Recommendation – The Library should continue procedures requiring employees paid an hourly wage to prepare a timesheet using the time clock provided. In addition, the timesheets should be reviewed and approved by an independent party before payroll checks are prepared.

- C. Receipts – The Library collects receipts for various purposes, including payment of fines, fees and the sale of ornaments. However, receipts are not issued for any collections. In addition, fines collected are recorded in the Library’s computer system, but reports are not generated to reconcile the fines collected to the money deposited with the City Clerk.

Recommendation – Pre-numbered receipts should be issued immediately for all non-fine collections and reports should be prepared that document a reconciliation between the fines collected and the amounts deposited with the City Clerk. Receipts should be recorded and collections deposited intact in a timely manner. Any undeposited collections should be safeguarded in a locked file or safe.

- D. Disbursements – During our review of disbursements, we identified a number of payments made to a credit card vendor that were reviewed and approved for payment by the Board of Directors. However, of the 25 invoices we reviewed, only 6 were supported in detail sufficient to identify the specific items purchased. All disbursements should be properly supported.

Recommendation – The Board of Directors has cancelled each of the credit cards used to make purchases for the Library. Should the Board choose to use credit cards in the future, detailed receipts or invoices should be submitted along with credit card statements when payments are approved.

## **Exhibits**

**Exhibit A**

---

Report on  
Special Investigation of the City of Preston Library  
Summary of Findings  
For the period June 14, 1999 through August 25, 2003

<b>Description</b>	<b>Exhibit/ Page Number</b>	<b>Amount</b>
Improper purchases:		
Various books and videos	page 5	\$ 153.34
VISA credit card	B	255.16
Sam's Club charge account	C	344.34
Platinum Plus credit card	D	<u>2,285.46</u> \$ 3,038.30
Unsupported payroll payments	page 6	Undeterminable
Undeposited library fines	pages 6-7	<u>Undeterminable</u>
Total		<u>\$ 3,038.30</u>

Report on  
Special Investigation of the City of Preston Library

Summary of Activity on the VISA Credit Card  
For the period December 4, 2002 through March 31, 2003

Billing Date	Vendor	Beginning Balance	Purchases	Payments		Late Fees and Finance Charges	Balance Due
				Made by City	Other		
12/31/02	My Family / Ancestrystore	\$ 97.74	17.95	-	-	16.81	260.60
	A & E Genealogy.com		9.99				
	A & E Genealogy.com		14.99				
	Wal-Mart, Clinton		39.87 #				
	Robert's Magic		41.20				
	Hancock Fabrics		22.05				
01/30/03	A & E Genealogy.com	260.60	9.99	-	75.16	17.43	227.85
	A & E Genealogy.com		14.99				
02/28/03	A & E Genealogy.com	227.85	9.99	-	-	2.33	255.16
	A & E Genealogy.com		14.99				
03/31/03		255.16	-	255.16	-	15.00	15.00 *
	Totals		\$ 196.01	255.16	75.16	51.57	

# - According to receipt obtained from Wal-Mart, purchase included fabric, notions and garland.

\* - The remaining balance due of \$15.00 was waived by the credit card company.

**Special Investigation of the City of Preston Library**

Report on  
Special Investigation of the City of Preston Library

Summary of Activity on the Sam's Club Charge Account  
For the period September 24, 2002 through March 5, 2003

Billing Date	Description of Purchase	Beginning Balance	Purchases	Payments		Late Fees and Finance Charges	Balance Due	
				Made by City	Other			
09/24/02	Annual Administration Fee	\$ -	15.00	-	-	-	15.00	
10/23/02	Warner 2 Pk Asst	\$ 8.94	15.00	36.82 #	-	-	13.56	332.87
	480 ml Photo inkjet	19.98						
	Warner Asst #4	5.49						
	7% sales tax	2.41						
	Final payment on 8mm camcorder		267.49 ^					
11/23/02		332.87	-	-	-	33.50	366.37	
12/24/02		366.37	-	-	66.82	33.11	332.66	
01/23/03		332.66	-	-	-	33.23	365.89	
Unknown		365.89	-	344.34	-	-	21.55 *	
Totals			\$ 319.31	344.34	66.82	113.40		

# - Purchased at Sam's Club.

^ - Purchased at Wal-Mart.

\* - The remaining balance due of \$21.55 was waived by Sam's Club.

**Exhibit D**

Report on  
Special Investigation of the City of Preston Library

Summary of Activity on the Unauthorized Platinum Plus Credit Card  
For the period September 8, 2001 through July 14, 2003

Billing Date	Vendor	Beginning Balance	Purchases	Payments		Late Fees and Finance Charges	Balance Due
				Made by City	Other		
09/12/01	Kmart	\$ -	103.73	-	-	-	103.73
10/12/01	Currant Catalog Division	103.73	60.94	-	-	33.87	559.20
	CONTINEN 0052128601667		200.00				
	Wal-Mart (Maquoketa) <sup>1</sup>		89.36				
	Wal-Mart Supercent (Clinton) <sup>2</sup>		71.30				
11/12/01	Ebay Online Payment	559.20	10.49	-	50.00	8.51	803.51
	Paypal		37.50				
	Paypal		10.59				
	Paypal		34.85				
	Paypal		14.29				
	Paypal		7.74				
	Paypal		2.79				
	Paypal		12.05				
	Paypal		20.65				
	EMI CDs & Cassettes		23.93				
	Paypal		(20.65)				
	Paypal		12.05				
	Paypal		(12.05)				
	Target		45.87				
	Wal-Mart Supercent (Clinton) <sup>3</sup>		77.11				
	Paypal		8.59				
12/12/01	Ebay Online Payment	803.51	58.00	-	-	38.28	899.79
01/14/02		899.79	-	-	50.00	10.84	860.63
02/12/02	Gateway.com	860.63	763.75	-	-	51.60	2,178.77
	Gateway.com		290.00				
	Kohl's Dept Stores #873		81.60				
	Kohl's Dept Stores #873		99.36				
	Kohl's Dept Stores #873		31.83				
03/12/02	Kohl's Dept Stores #873	2,178.77	51.19	-	-	52.81	2,282.77
04/12/02		2,282.77	-	-	-	56.12	2,338.89
05/13/02		2,338.89	-	-	160.00	27.36	2,206.25

Report on  
Special Investigation of the City of Preston Library

Summary of Activity on the Unauthorized Platinum Plus Credit Card  
For the period September 8, 2001 through July 14, 2003

Billing Date	Vendor	Beginning Balance	Purchases	Payments		Late Fees and Finance Charges	Balance Due
				Made by City	Other		
06/12/02		2,206.25	-	-	-	64.36	2,270.61
07/12/02		2,270.61	-	-	-	65.10	2,335.71
08/12/02		2,335.71	-	-	-	66.75	2,402.46
09/12/02		2,402.46	-	-	182.00	28.26	2,248.72
10/14/02	A&E Genealogy.com	2,248.72	14.99	-	-	66.62	2,330.33
11/12/02	A&E Genealogy.com	2,330.33	14.99	-	100.00	25.52	2,270.84
12/12/02	A&E Genealogy.com	2,270.84	14.99	-	-	65.15	2,350.98
01/13/03		2,350.98	-	-	-	67.83	2,418.81
02/12/03		2,418.81	-	-	-	66.81	2,485.62
03/12/03		2,485.62	-	-	-	94.67	2,580.29
04/14/03		2,580.29	-	-	450.00	27.65	2,157.94
05/12/03		2,157.94	-	-	-	62.15	2,220.09
06/12/03		2,220.09	-	-	-	65.37	2,285.46
07/14/03		2,285.46	-	2,285.46	-	8.75	8.75 *
Totals			<u>\$ 2,231.83</u>	<u>2,285.46</u>	<u>992.00</u>	<u>1,054.38</u>	

\* - The remaining balance due of \$8.75 was waived by the credit card company.

According to receipts obtained from Wal-Mart:

<sup>1</sup> - Two prescriptions, pantyhose, card, and a sheet protector were purchased.

<sup>2</sup> - Fabric, three dowel rods, and candy were purchased.

<sup>3</sup> - Candy, household products, health and beauty products, and clothing were purchased.



---

Report on Special Investigation of the  
City of Preston Library

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director  
John G. Vanis, CGFM, Senior Auditor



Tamera S. Kusian, CPA  
Deputy Auditor of State