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NEWS RELEASE

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FOR RELEASE May 12, 2016

Auditor of State Mary Mosiman today released a report on a special investigation of the City of Lakota for the period July 1, 2013 through May 31, 2015. The special investigation was requested by City officials as a result of concerns regarding certain deposits by the former Utility Billing Clerk, Amber (Hansen) Shelton. Ms. Shelton submitted an electronic letter of resignation to City officials on March 18, 2015, which was effective April 30, 2015. However, Ms. Shelton agreed to assist her replacement through May 2015.

Mosiman reported the special investigation identified \$7,768.14 of undeposited collections, which were identified by comparing cash collections recorded in the City's utility software and manual records to cash deposited to the City's bank account between July 1, 2013 and May 31, 2015.

Mosiman also reported the City periodically received rent for the Community Center and donations for the City's tornado siren. However, receipts were not prepared for all collections. In addition, the City did not maintain any documentation which included a listing of all collections received. As a result, it was not possible to determine if all collections were properly deposited.

The report includes recommendations to strengthen the City's internal controls and overall operations, such as improving segregation of duties, performing bank reconciliations, performing an independent review of bank statements, performing utility reconciliations, and preparing receipts for all collections.

Copies of the report have been filed with the Kossuth County Attorney's Office, the Attorney General's Office and the Division of Criminal Investigation. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1522-0521-BE00>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF LAKOTA

FOR THE PERIOD
JLUY 1, 2013 THROUGH MAY 31, 2015**

Table of Contents

| | <u>Page</u> |
|--------------------------------|----------------|
| Auditor of State's Report | 3-4 |
| Investigative Summary: | |
| Background Information | 5-6 |
| Detailed Findings | 6-9 |
| Recommended Control Procedures | 9-10 |
| Exhibit: | <u>Exhibit</u> |
| Cash Collections for Utilities | A 12-17 |
| Staff | 18 |



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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 the handling of certain deposits and at your request, we conducted a special investigation of the City of Lakota. We have applied certain tests and procedures to selected financial transactions of the City for the period July 1, 2013 through May 31, 2015 unless otherwise specified. Based on a review of relevant information and discussions with City officials and staff, we performed the following procedures:

- (1) Evaluated internal controls and interviewed City personnel to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed the minutes of City Council meetings held between July 1, 2013 and June 30, 2015 for significant actions.
- (3) Examined receipt and deposit documentation prepared by City staff to determine if the composition of collections deposited agreed with the City's records.
- (4) Examined bank images of deposit slips and compared the amounts recorded for individuals to the City's utility records to determine if the information agreed.
- (5) Obtained copies of manual utility records and bank deposits to determine if amounts collected agree with amounts deposited into the City's bank account.
- (6) Examined images of checks issued from the City's bank account, disbursement listings, and selected supporting documentation to determine reasonableness and propriety of the disbursements.
- (7) Confirmed payments made to the City by the State of Iowa and Kossuth County to determine if they were properly deposited to the City's bank account.

These procedures identified \$7,768.14 of undeposited utility collections. The City periodically rents the Community Center and receives donations for the City's tornado siren. However, receipts were not prepared for all collections. In addition, the City did not maintain any documentation which included a listing of all collections received. As a result, we were unable to determine if all collections were properly deposited. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibit A** 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 Lakota, other matters might have come to our attention that would have been reported to you.

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

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



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2016

Report on Special Investigation of the
City of Lakota
Investigative Summary

Background Information

The City of Lakota is located in Kossuth County and has a population of approximately 255. The City employs a part-time City Clerk who is responsible for the business operations of the City, a part-time Librarian, and a part-time Water Superintendent. The City has also employed a part-time Deputy City Clerk since May 4, 2015.

Amber (Hansen) Shelton became the temporary City Clerk in July 2013 and was appointed to the position by the City Council on August 8, 2013. As the City Clerk, Ms. Shelton was responsible for:

- 1) Receipts – collecting, posting to the accounting records, and preparing and making bank deposits.
- 2) Disbursements – making purchases; receiving certain goods and services; presenting disbursements to the City Council for approval; maintaining supporting documentation; preparing, signing and distributing checks; and posting payments to the accounting records.
- 3) Utility billings - preparing and mailing billings; receiving collections; posting collections to customer accounts in the City’s manual utility records, utility system, and accounting records; and preparing and making bank deposits.
- 4) Bank accounts – receiving and reconciling monthly bank statements to accounting records.
- 5) Reporting – preparing City Council meeting minutes and financial reports, including monthly City Clerk reports and the Annual Financial Report.

According to City officials, City Hall was open 4 hours per day, Monday through Friday, during Ms. Shelton’s tenure. The minutes from the July 8, 2013 City Council meeting document the City Council expected the City Clerk to work 20 hours per week and additional time as needed. The City Clerk is paid an hourly wage.

Monthly statements for the City’s bank account are picked up from the bank and opened by the City Clerk. According to the current City Clerk, she is also able to access and review bank account activity through on-line banking. The City Clerk reconciles monthly bank account activity to the accounting system. However, no one independent of preparing financial transactions reviews the monthly bank statement or the reconciliation prepared by the City Clerk.

The City’s primary revenue sources include local option sales tax and road use tax from the State of Iowa and property tax collected by Kossuth County. Revenue was also received from households and businesses in the City for water and garbage services. In addition, the City began collecting for sewer service effective October 1, 2015. Collections are to be deposited to the City’s bank account.

All City disbursements are to be approved by the City Council at the monthly City Council meetings. In addition, all disbursements are to be made by checks signed by the City Clerk and Mayor. All disbursements are to be supported by invoices or other documentation obtained by or submitted to the City Clerk. Each month, the City Clerk is to prepare a listing of bills and provide the listing to the City Council for approval. City Council members are to

document their review of each supporting document approved by initialing the document. City Council members are also to document their approval of the disbursement listing by initialing it.

On March 18, 2015, Ms. Shelton submitted a letter of resignation via e-mail to the Mayor and City Council. It documented her last day of employment would be April 30, 2015 and she would be moving out of state. However, Ms. Shelton subsequently agreed to stay longer to help train the new City Clerk and she remained employed until June 2, 2015.

In late June, the new City Clerk identified inconsistencies between utility collections and deposits to the City’s bank account and notified the Mayor. City officials consulted with the City Clerk and Utility Clerk of a neighboring city who performed a brief review of the City’s utility and deposit records and concurred with the concerns identified. On July 16, 2015, the City Clerk and Utility Clerk documented their findings in a letter to the City and recommended the City immediately contact the State Auditor’s Office to report their concerns in accordance with a requirement of the *Code of Iowa*.

However, prior to notifying the Office of Auditor of State, the Mayor sent Ms. Shelton a certified letter dated July 19, 2015 requesting explanations for certain inconsistencies identified between the utility billings, bank deposits, and outstanding account balances. The letter also included a request Ms. Shelton respond within 10 days from the date of receipt of the letter. The return receipt documents the letter was received by Ms. Shelton on July 31, 2015. According to the Mayor, he went to Ms. Shelton’s home after the 10 days passed but found she had moved from her residence.

City officials contacted the Office of Auditor of State on August 11, 2015 and requested we perform an investigation of the City’s financial transactions. As a result, we performed the procedures detailed in the Auditor of State’s Report for the period July 1, 2013 through May 31, 2015.

Detailed Findings

These procedures identified \$7,768.14 of undeposited utility collections. **Table 1** summarizes the variances identified between the cash payments recorded in the City’s utility system and the amount of cash deposited to the City’s bank account.

| Table 1 | |
|--|--------------------------------|
| Period | Undeposited Collections |
| July 1, 2013 through December 31, 2013 | \$ 1,022.00 |
| January 1, 2014 through June 30, 2014 | 2,913.93 |
| July 1, 2014 through December 31, 2014 | 2,915.73 |
| January 1, 2015 through May 31, 2015 | 916.48 |
| Total | \$ 7,768.14 |

The City periodically receives rent for the Community Center and donations for the City’s tornado siren. However, receipts were not prepared for all collections. In addition, the City did not maintain any documentation which included a listing of all collections received. As a result, we were unable to determine if all collections were properly deposited. Our findings are discussed in further detail in the following paragraphs.

UNDEPOSITED COLLECTIONS

Utility Collections – As previously stated, Ms. Shelton was responsible for preparing and mailing utility billings; receiving collections; posting collections to customer accounts in the City’s manual utility records, utility system, and accounting records; and preparing and making bank deposits.

During Ms. Shelton’s tenure, the billings were prepared and mailed on a quarterly basis and were based on a flat fee. Water and garbage rates for residences varied based on the number of individuals in the household. The flat fee rate for households with multiple individuals exceeded the flat fee rate for households of single individuals. Flat fee billing rates for water provided to commercial customers were established by the City Council based on estimated consumption. In addition, flat fee billing rates for garbage service provided to commercial customers were established by the vendor which provided sanitation services to the City. The rates varied based on the type of business and the amount of waste produced. Ms. Shelton was to send utility billings to customers by the 10th of March, June, September, and December each year.

The City began preparing monthly billings in October 2015. The City also began installing water meters for customers in October 2015 and will begin billing based on meter readings once meters are installed for all customers. The billings for garbage service were also included on the monthly billings, but the practice of flat fee billing rates for garbage service did not change.

According to City officials we spoke with, payments for utilities are primarily received through the mail; however, they can also be dropped off at City Hall during office hours or left in the City’s drop box after hours. In addition, payments can be made at the local bank or electronically through a “bill pay” function at the bank. According to City officials we spoke with, some utility customers paid by check and others paid in cash, but Ms. Shelton did not consistently issue receipts for the cash payments. The Mayor and new City Clerk also stated the customers who pay in cash are fairly consistent from month to month.

Ms. Shelton maintained utility records for each customer in an electronic utility system used by the City which included the monthly billing amounts, payments made on the accounts, and the balance due. In addition, Ms. Shelton maintained manual utility records for each customer which also included the monthly billing amounts, payments made on the accounts, and the balance due. However, the manual records also included the check number for each payment made on the account or a notation if the payment was made in cash. The form of the payment was not recorded in the electronic utility system. We compared the billing amounts, payments, and balances due in the electronic utility system to the amounts recorded in the manual records and did not identify any significant differences between the amounts recorded.

Ms. Shelton, or someone independent of utility duties, did not prepare monthly reconciliations for water, sewer, and garbage services. If monthly reconciliations had been prepared, the irregularities regarding the deposit of utility collections may have been identified in a timely manner.

City officials provided us with the manual records for the period July 1, 2013 through May 31, 2015. The records identify each customer, their beginning balance, monthly bill amount, payments, penalties, and ending balance.

When we spoke with Ms. Shelton, she stated she recorded all utility collections in the manual records. We compared the collections recorded in the manual records to the City’s bank deposit slips for the period July 1, 2013 through May 31, 2015. Using the manual records, we calculated the expected cash deposits for the time period and compared this amount to the

actual cash deposits. As illustrated by **Table 2**, we determined \$14,332.15 of cash payments should have been deposited from July 1, 2013 through May 31, 2015; however, the cash utility collections deposited by Ms. Shelton totaled only \$6,564.01. As a result, the remaining \$7,768.14 of cash payments was not properly deposited. Ms. Shelton was not able to provide an explanation for this difference.

Table 2

| Period | Per Manual Utility Records | Deposited to Bank | Undeposited Collections |
|---------------------|-----------------------------------|--------------------------|--------------------------------|
| 07/01/13 – 12/31/13 | \$ 1,819.80 | 797.80 | 1,022.00 |
| 01/01/14 – 06/30/14 | 4,157.03 | 1,243.10 | 2,913.93 |
| 07/01/14 – 12/31/14 | 5,050.91 | 2,135.18 | 2,915.73 |
| 01/01/15 – 05/31/15 | 3,304.41 | 2,387.93 | 916.48 |
| Total | \$ 14,332.15 | 6,564.01 | 7,768.14 |

The individual cash collections listed in the manual records are listed in **Exhibit A**. As illustrated by the **Exhibit**, cash collections recorded in the manual records could be matched to cash deposits recorded on some deposit slips for the customer’s name, date of payment, and amount. However, some cash deposits did not match the customer’s name, date of payment, and/or amount recorded in the manual records. These deposits are described in the **Exhibit** as unidentified. The **Exhibit** also illustrates the amount of cash collections recorded in the manual records exceeds the amount of cash deposited by \$7,768.14.

As illustrated by **Table 2**, Ms. Shelton deposited \$2,387.93 of cash between January 1, 2015 and May 31, 2015 for utilities, which included water and garbage services. The amount of utility billings customers paid with cash from June 1, 2015 through September 30, 2015 is not readily available. However, the City implemented a new utility software system effective October 1, 2015 which identifies how payments were made. Using information from the new software system, we determined the amount of utility billings customers paid with cash from October 1, 2015 through March 31, 2016. However, because the City began collecting utility payments for sewer service effective October 1, 2015, we reduced the cash collections for this period by the amount related to sewer service. **Table 3** compares the average monthly cash collections for water and garbage services during Ms. Shelton’s last 5 months of employment with the City to current average monthly cash collections for water and garbage services.

Table 3

| Period | Cash Collections Deposited | Monthly Average |
|---------------------|-----------------------------------|------------------------|
| 01/01/15 – 05/31/15 | \$ 2,387.93 | 477.58 |
| 10/01/15 – 03/31/16 | 4,154.42 | 692.40 |

As illustrated by **Table 3**, the average monthly cash collections deposited increased significantly. According to City officials we spoke with, there have been no significant changes in the households which typically pay their utility billings in cash.

Taxes from the State of Iowa – The majority of revenues received from the State of Iowa are road use tax and local option sales tax. We confirmed payments to the City by the State of Iowa and determined they were all properly deposited to the City’s bank account.

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

Miscellaneous Collections - The City periodically receives rent for the Community Center and donations for the City's tornado siren. However, receipts were not prepared for all collections. In addition, the City did not maintain any documentation which included a listing of all collections received. As a result, we were unable to determine if all collections were properly deposited.

OTHER ADMINISTRATIVE ISSUES

Separately Maintained Bank Accounts - Section 384.20 of the *Code of Iowa* states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." The transactions and resulting balances of a separate bank account maintained by the City's Library were not included in the City's accounting records, annual budget, or monthly financial reports.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Lakota to perform bank reconciliations and process receipts, 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 the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be identified within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the City of Lakota'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 – collecting, posting to the accounting records, and preparing and making bank deposits.
 - (2) Disbursements – making purchases; receiving certain goods and services; presenting disbursements to the City Council for approval; maintaining supporting documentation; preparing, signing, and distributing checks; and posting payments to the accounting records.
 - (3) Utility billings - preparing and mailing billings; receiving collections; posting collections to customer accounts in the City's manual utility records, utility system, and accounting records; and preparing and making bank deposits.
 - (4) Bank accounts – receiving and reconciling monthly bank statements to accounting records.
 - (5) Reporting – preparing City Council meeting minutes and financial reports, including monthly City Clerk reports and the Annual Financial Report.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the functions listed above should be segregated between the City Clerk, Deputy Clerk, Mayor, and City Council members. In addition, the Mayor, City Council members, or other designated individual should review financial records and bank statements, perform reconciliations, and examine supporting documentation for accounting records on a periodic basis.

- B. Utility Reconciliations – Utility billings, collections and delinquencies were not periodically reconciled to the amounts collected and unpaid balances. In addition, utility billing and receipt reports were not retained by the City. As a result, certain cash payments recorded in the utility software system and manual utility records which were not deposited into the City’s bank account were not identified in a timely manner.

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

- C. Receipts – Receipts were not issued and initial receipt listings were not prepared for collections of rental fees, donations to the City for the siren, or other miscellaneous collections. Receipts and initial listings provide a basis for an independent reviewer to compare the amount of checks and cash received to the amount deposited. Because receipts and initial listings were not prepared, we were unable to determine if all collections were properly deposited.

Recommendation – Receipts or initial listings should be prepared listing all checks and cash received. An individual independent of the receipt and deposit process should compare the receipts and initial listings to the amounts subsequently deposited. The review should be documented by the reviewer’s signature or initials and the date of the review. A City Council member or an independent individual designated by the City Council should perform the review.

- D. Notification of Irregularities – Section 11.6(7) of the *Code of Iowa* requires governmental subdivisions to immediately notify the Office of Auditor of State regarding any suspected embezzlement, theft or other significant financial irregularities.

The current City Clerk identified inconsistencies between utility collections and deposits to the City’s bank account and notified the Mayor in late June 2015. However, the Office of Auditor of State was not contacted until August 11, 2015, even though City officials were informed of the *Code* requirement in a letter from a consulting City Clerk and Utility Clerk from a neighboring city dated July 16, 2015.

Recommendation – The City should implement procedures to ensure compliance with section 11.6(7) of the *Code of Iowa*.

- E. Separately Maintained Records – A checking account is maintained by the City’s Library. The transactions and resulting balances of the Library’s separate bank account were not included in the City’s accounting records, annual budget, or monthly financial reports.

Recommendation – Section 384.20 of the *Code of Iowa* states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes.” For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

Exhibits

Exhibit A

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------|-------------------------|-------------------------|----------------------|--|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 07/10/13 | Barg | \$ 50.00 | | | - | |
| 07/10/13 | Vogt | 30.00 | | | - | |
| Subtotal for July 2013 | | <u>80.00</u> | | | <u>-</u> | 80.00 |
| 08/02/13 | Clayton | 335.00 | | | - | |
| 08/12/13 | Tabb | 300.00 | | | - | |
| | | - | 08/13/13 | Tabb | 300.00 | |
| 08/30/13 | Cortez | 200.00 | | | - | |
| Subtotal for August 2013 | | <u>835.00</u> | | | <u>300.00</u> | 535.00 |
| 09/03/13 | Roberts | 100.00 | | | - | |
| 09/13/13 | Roberts | 70.00 | 09/13/13 | Roberts | 70.00 | |
| 09/17/13 | Christians | 123.90 | 09/17/13 | Christians | 123.90 | |
| 09/19/13 | Olson | 123.90 | | | - | |
| | | - | 09/23/13 | Unidentified | 123.90 | |
| Subtotal for September 2013 | | <u>417.80</u> | | | <u>317.80</u> | 100.00 |
| 10/01/13 | Cortez | 100.00 | | | - | |
| | | - | 10/02/13 | Unidentified | 100.00 | |
| 10/28/13 | Roberts | 51.00 | | | - | |
| Subtotal for October 2013 | | <u>151.00</u> | | | <u>100.00</u> | 51.00 |
| 11/04/13 | Roberts | 30.00 | | | - | |
| 11/08/13 | Roberts | 93.00 | | | - | |
| Subtotal for November 2013 | | <u>123.00</u> | | | <u>-</u> | 123.00 |
| 12/02/13 | Cortez | 80.00 | | | - | |
| 12/03/13 | Roberts | 53.00 | | | - | |
| 12/31/13 | Cortez | 80.00 | 12/31/13 | Cortez | 80.00 | |
| Subtotal for December 2013 | | <u>213.00</u> | | | <u>80.00</u> | 133.00 |
| 01/03/14 | Roberts | 133.40 | | | - | |
| | | - | 01/08/14 | Unidentified | 133.40 | |
| 01/08/14 | Myers | 120.00 | | | - | |

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------------|-------------------------|-------------------------|----------------------|--|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 01/08/14 | Tabb | 71.00 | | | - | |
| 01/08/14 | Olson | 124.00 | | | - | |
| 01/16/14 | Cook | 110.20 | | | - | |
| | | - | 01/17/14 | Unidentified | 315.70 | |
| 01/17/14 | Tabb | 85.50 | | | - | |
| 01/24/14 | Barg | 240.00 | | | - | |
| | | - | 01/24/14 | Unidentified | 280.00 | |
| 01/31/14 | Cortez | 80.00 | | | - | |
| 01/31/14 | Roberts | 134.00 | | | - | |
| | Subtotal for January 2014 | <u>1,098.10</u> | | | <u>729.10</u> | 369.00 |
| 02/04/14 | Myers | 120.00 | | | - | |
| | | - | 02/06/14 | Unidentified | 254.00 | |
| 02/10/14 | Pickul | 40.00 | | | - | |
| | | - | 02/14/14 | Unidentified | 40.00 | |
| 02/28/14 | Cortez | 60.00 | | | - | |
| | Subtotal for February 2014 | <u>220.00</u> | | | <u>294.00</u> | (74.00) |
| 03/03/14 | Heidecker | 120.00 | 03/03/14 | Unidentified | 60.00 | |
| 03/04/14 | Barg | 120.00 | | | - | |
| 03/12/14 | Pickul | 40.00 | | | - | |
| | | - | 03/13/14 | Unidentified | 40.00 | |
| 03/26/14 | Cook | 120.20 | | | - | |
| | | - | 03/27/14 | Unidentified | 120.00 | |
| 03/28/14 | Myers | 120.00 | | | - | |
| | Subtotal for March 2014 | <u>520.20</u> | | | <u>220.00</u> | 300.20 |
| 04/01/14 | Cortez | 80.00 | | | - | |
| 04/01/14 | Olson | 134.00 | | | - | |
| 04/03/14 | Roberts | 60.00 | | | - | |
| 04/03/14 | Tabb | 156.50 | | | - | |
| 04/04/14 | Barg | 120.00 | | | - | |
| 04/04/14 | Limon | 130.00 | | | - | |

Exhibit A

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------|-------------------------|-------------------------|----------------------|--|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 04/22/14 | Goerndt | 272.01 | | | - | |
| 04/23/14 | Welp | 300.00 | | | - | |
| 04/23/14 | Wilkinson | 107.22 | | | - | |
| 04/23/14 | Buscher | 105.00 | | | - | |
| Subtotal for April 2014 | | <u>1,464.73</u> | | | <u>-</u> | 1,464.73 |
| 05/05/14 | Barg | 120.00 | | | - | |
| 05/05/14 | Myers | 120.00 | | | - | |
| 05/05/14 | Roberts | 60.00 | | | - | |
| 05/05/14 | Tabb | 80.00 | | | - | |
| 05/05/14 | Roberts | 49.00 | | | - | |
| 05/20/14 | Pickul | 50.00 | | | - | |
| 05/23/14 | Myers | 120.00 | | | - | |
| Subtotal for May 2014 | | <u>599.00</u> | | | <u>-</u> | 599.00 |
| 06/02/14 | Cortez | 60.00 | | | - | |
| 06/02/14 | Roberts | 75.00 | | | - | |
| 06/03/14 | Barg | 120.00 | | | - | |
| Subtotal for June 2014 | | <u>255.00</u> | | | <u>-</u> | 255.00 |
| | | - | 07/01/14 | Unidentified | 225.00 | |
| 07/01/14 | Pickul | 60.00 | | | - | |
| 07/01/14 | Myers | 60.00 | | | - | |
| 07/01/14 | Tabb | 80.00 | | | - | |
| 07/01/14 | Vogt | 110.20 | | | - | |
| 07/01/14 | Cortez | 120.00 | | | - | |
| 07/01/14 | Olson | 125.00 | 07/01/14 | Unidentified | 120.00 | |
| 07/02/14 | Barg | 120.00 | 07/02/14 | Unidentified | 125.00 | |
| 07/03/14 | Wilkinson | 125.00 | | | - | |
| 07/09/14 | Welp | 100.00 | | | - | |
| 07/09/14 | Limon | 125.00 | | | - | |

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------|-------------------------|-------------------------|----------------------|--|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 07/09/14 | Limon | 120.20 | | | - | |
| 07/17/14 | Cook | 130.25 | | | - | |
| 07/17/14 | Pickul | 5.00 | | | - | |
| 07/17/14 | Tabb | 100.00 | | | - | |
| 07/17/14 | Buscher | 108.50 | 07/17/14 | Unidentified | 208.50 | |
| 07/21/14 | Hanson | 111.00 | 07/21/14 | Unidentified | 111.00 | |
| Subtotal for July 2014 | | <u>1,600.15</u> | | | <u>789.50</u> | 810.65 |
| 08/01/14 | Roberts | 80.00 | | | - | |
| 08/01/14 | Goerndt | 100.00 | | | - | |
| 08/04/14 | Cortez | 80.00 | | | - | |
| 08/05/14 | Barg | 111.03 | | | - | |
| 08/18/14 | Dietrick/Hesebeck | 450.00 | 08/18/14 | Unidentified | 450.00 | |
| 08/25/14 | Dietrick/Hesebeck | 50.00 | 08/25/14 | Unidentified | 50.00 | |
| 08/25/14 | Roberts | 130.00 | 08/25/14 | Unidentified | 130.00 | |
| 08/29/14 | Myers | 85.00 | | | - | |
| Subtotal for August 2014 | | <u>1,086.03</u> | | | <u>630.00</u> | 456.03 |
| 09/02/14 | Cortez | 80.00 | | | - | |
| 09/03/14 | Roberts | 40.00 | | | - | |
| | | - | 09/04/14 | Unidentified | 189.00 | |
| 09/09/14 | Pickul | 60.00 | 09/09/14 | Pickul | 60.00 | |
| 09/19/14 | Cook | 133.85 | | | - | |
| 09/19/14 | Derifield | 70.00 | | | - | |
| 09/29/14 | Vogt | 110.20 | | | - | |
| 09/29/14 | Buscher | 121.00 | | | - | |
| 09/30/14 | Olson | 110.00 | | | - | |
| Subtotal for September 2014 | | <u>725.05</u> | | | <u>249.00</u> | 476.05 |
| 10/01/14 | Cortez | 80.00 | | | - | |
| 10/03/14 | Barg | 42.00 | | | - | |

Exhibit A

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------------|---------------------|-------------------------|----------------------|--------------------------------------|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 10/03/14 | Roberts | 70.00 | | | - | |
| 10/10/14 | Myers | 40.00 | 10/10/14 | Unidentified | 40.00 | |
| 10/20/14 | Dietrick/Hesebeck | 87.28 | 10/20/14 | Unidentified | 101.18 | |
| 10/20/14 | Roberts | 137.50 | | | - | |
| 10/20/14 | Limon | 133.90 | | | - | |
| 10/20/14 | Wilkinson | 80.00 | | | - | |
| 10/21/14 | Cash Deposit | - | 10/21/14 | Unidentified | 175.50 | |
| 10/21/14 | Pickul | 50.00 | | | - | |
| 10/21/14 | Myers | 45.00 | | | - | |
| | Subtotal for October 2014 | <u>765.68</u> | | | <u>316.68</u> | 449.00 |
| 11/03/14 | Roberts | 72.00 | | | - | |
| 11/03/14 | Roberts | 72.00 | | | - | |
| 11/03/14 | Cortez | 80.00 | | | - | |
| 11/20/14 | Myers | 30.00 | | | - | |
| | Subtotal for November 2014 | <u>254.00</u> | | | <u>-</u> | 254.00 |
| 12/02/14 | Pickul | 100.00 | | | - | |
| 12/03/14 | Cortez | 70.00 | | | - | |
| 12/05/14 | Barg | 50.00 | | | - | |
| 12/05/14 | Wilkinson | 140.00 | | | - | |
| 12/12/14 | Hall/Bartok | 150.00 | 12/12/14 | Unidentified | 150.00 | |
| 12/29/14 | Vogt | 50.00 | | | - | |
| 12/31/14 | Cortez | 60.00 | | | - | |
| | Subtotal for Deember 2014 | <u>620.00</u> | | | <u>150.00</u> | 470.00 |
| 01/05/15 | Olson | 120.00 | | | - | |
| 01/05/15 | Buscher | 110.00 | | | - | |
| | | - | 01/05/15 | Unidentified | 111.77 | |
| 01/07/15 | Vogt | 60.25 | | | - | |
| 01/15/15 | Cook | 123.95 | 01/15/15 | Unidentified | 123.95 | |
| 01/20/15 | Barg | 50.00 | | | - | |
| | | - | 01/21/15 | Unidentified | 310.00 | |
| 01/21/15 | Hanson | 260.00 | | | - | |

Report on Special Investigation of the
City of Lakota

Cash Collections for Utilities
For the period July 1, 2013 through May 31, 2015

| Per Manual Utility Records | | | Per Deposit Slip | | | Undeposited Collections by Month |
|-----------------------------------|----------------------|---------------------|-------------------------|----------------------|--------------------------------------|---|
| Date | Customer Name | Cash Payment | Date | Customer Name | Cash Recorded on Deposit Slip | |
| 01/26/15 | Roberts | 60.00 | 01/26/15 | Unidentified | 60.00 | |
| 01/28/15 | Dietrick/Hesebeck | 125.00 | 01/28/15 | Unidentified | 125.00 | |
| 01/30/15 | Cortez | 40.00 | 01/30/15 | Unidentified | 40.00 | |
| Subtotal for January 2015 | | <u>949.20</u> | | | <u>770.72</u> | 178.48 |
| 02/03/15 | Limon | 234.00 | 02/03/15 | Unidentified | 234.00 | |
| 02/03/15 | Myers | 85.00 | | | - | |
| 02/03/15 | Roberts | 130.00 | 02/03/15 | Unidentified | 130.00 | |
| 02/10/15 | Roberts | 75.00 | 02/10/15 | Unidentified | 75.00 | |
| 02/13/15 | Barg | 260.00 | 02/13/15 | Unidentified | 260.00 | |
| Subtotal for February 2015 | | <u>784.00</u> | | | <u>699.00</u> | 85.00 |
| 04/06/15 | Cook | 125.00 | | | - | |
| 04/06/15 | Casey | 66.36 | 04/06/15 | Unidentified | 66.36 | |
| 04/07/15 | Hanson | 120.00 | | | - | |
| 04/14/15 | Vogt | 110.15 | 04/14/15 | Unidentified | 110.15 | |
| 04/17/15 | Buscher | 110.00 | | | - | |
| | | - | 04/22/15 | Unidentified | 160.00 | |
| 04/22/15 | Roberts | 50.00 | | | - | |
| 04/22/15 | Wilkinson | 180.00 | | | - | |
| 04/27/15 | Dietrick/Hesebeck | 100.00 | | | - | |
| Subtotal for April 2015 | | <u>861.51</u> | | | <u>336.51</u> | 525.00 |
| 05/01/15 | Roberts | 128.00 | | | - | |
| 05/04/15 | Cortez | 40.00 | 05/04/15 | Cortez | 40.00 | |
| 05/04/15 | Roberts | 80.00 | 05/04/15 | Roberts | 80.00 | |
| 05/06/15 | Tabb | 140.00 | | | - | |
| 05/11/15 | Hall/Bartok | 321.70 | | | - | |
| | | - | 05/11/15 | Unidentified | 461.70 | |
| Subtotal for May 2015 | | <u>709.70</u> | | | <u>581.70</u> | 128.00 |
| Total | | <u>\$ 14,332.15</u> | | | <u>6,564.01</u> | <u>7,768.14</u> |


NOTE: There were no cash payments recorded in the manual utility records for March 2015 and there were no cash deposits to the bank during March 2015.

Report on Special Investigation of the
City of Lakota

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Matthew C. Hickenbottom, Staff Auditor
Chad Lynch, Staff Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State