



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE _____ January 19, 2006 _____

Auditor of State David A. Vaudt today released a reaudit report on the City of Missouri Valley for the period July 1, 2003 through June 30, 2004. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2005. The reaudit was performed at the request of the Mayor of Missouri Valley.

Vaudt recommended the City review and determine the propriety of the separate Police Department checking account. The City should develop policies and procedures to ensure bank accounts are authorized, properly budgeted and reported and disbursements are properly supported, reviewed for propriety, authorized and approved. Vaudt also recommended the City consult with its legal counsel regarding the accrued vacation payout to the former Police Chief. Other recommendations included maintaining an inventory of equipment and establishing a policy to address the use of City-owned property. The City responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report has been filed with the Harrison County Attorney for his review and determination of further action, if any. Copies of the report are available for review in the Office of Auditor of State and in the City Clerk's office. The report is also available on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF MISSOURI VALLEY
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2003 THROUGH JUNE 30, 2004

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City of Missouri Valley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
James Long	Mayor	Jan 2004
John Dems	Council Member	Jan 2004
Scott Cihacek	Council Member	Jan 2006
David Davis	Council Member	Jan 2006
Sherman Struble	Council Member	Jan 2006
Roger Marshall	Council Member	Jan 2006
(After January 2004)		
Doris Stillwell	Mayor	Jan 2006
Scott Cihacek	Council Member	Jan 2006
David Davis	Council Member	Jan 2006
Sherman Struble	Council Member	Jan 2008
Roger Marshall	Council Member	Jan 2008
Dan Kougas	Council Member	Jan 2008
Robert J. Alborn	City Clerk	Indefinite
Jan Guill	Treasurer	Indefinite
Ann Long	Attorney	Indefinite

City of Missouri Valley



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Auditor of State's Report on Reaudit

To the Honorable Mayor and
Members of the City Council:

We received a request to perform a reaudit of the City of Missouri Valley from the Mayor, pursuant to Chapter 11.6(4)(b) of the Code of Iowa. As a result, we requested and received copies of relevant workpapers from the City's independent auditing firm for the fiscal year ended June 30, 2004. Based on the information available, we determined a partial reaudit was necessary in order to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain limited tests and procedures to selected accounting records and related information of the City of Missouri Valley. Reaudit procedures were performed for the period July 1, 2003 through June 30, 2004 and also for certain items applicable to the year ended June 30, 2005.

In her request, the Mayor identified the following areas of concern:

- "The former Police Chief allowed police officers to use the Missouri Valley Police Department's account for personal expenditures to be repaid at a later date."
- "For at least the last two years but perhaps an indefinite period in the past, an inventory of the police department has not been maintained."
- "For at least the last two years, there has been a dramatic decline in revenue generated by the police department, i.e. fines."

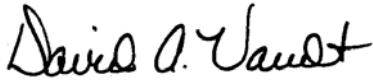
To address these concerns, the procedures we performed are summarized as follows:

1. We interviewed available City officials and employees to obtain an understanding of the City's internal control procedures in the Police Department.
2. We reviewed activity in the Police Department's separate checking account for authorization, support and public purpose. We also reviewed the City's controls over accounting and reporting for this account.
3. We reviewed payments to the former Police Chief following his resignation.
4. We reviewed the City's policy regarding payout of unused vacation.
5. We inquired whether the City had a policy for use of vehicles and City-owned equipment.
6. We reviewed the City's procedures pertaining to capital asset inventory and accountability over assets distributed to Police Department employees.
7. We performed analytical review of Police Department activity to identify and determine the reasons for significant variances between years, if any.

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

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the City of Missouri Valley, additional matters might have come to our attention that would have been reported to you. Pursuant to Chapter 11.15 of the Code of Iowa, a copy of this report has been filed with the Harrison County Attorney for his review and determination of further action, if any.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 31, 2005

Detailed Findings

City of Missouri Valley

Detailed Findings

July 1, 2003 through June 30, 2004

- (A) Separate Police Department Bank Account – The Police Department maintains a separate checking account. Although the City Clerk's staff maintains a ledger and reconciles the account activity to the bank statement, no supporting documentation was maintained and the account is not included in the City's budget or financial statements. The account was established December 18, 2001 and the City represented the account was established with and for donations to the Police Department. However, a review of the account activity disclosed total receipts of \$4,689.21 during the period December 18, 2001 through July 30, 2005. The receipts included \$1,500 in three deposits from the State of Iowa which should have been reported in the City's General Fund, as follows: \$700 on May 28, 2003, \$100 on August 1, 2003 and \$700 on February 22, 2005. It is unclear whether this account was authorized by the Mayor and/or City Council.

Except for one receipt for \$363.76 dated June 28, 2002 from Walmart for the purchase of a camera and film, there was no supporting documentation for disbursements from this account. Accordingly, we were unable to determine the propriety of the remaining disbursements from this account totaling \$3,595.34 (\$3,959.10 - \$363.76) during the period December 18, 2001 through July 30, 2005.

Dual signatures of the Mayor, Police Chief or City Clerk are required before a check can be issued from this account. The bank signature card for the account included the former Mayor and the former Police Chief as authorized signers. The current Mayor represented a signature plate is used for her signature instead of her personally signing her name.

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose...."

Recommendation - As of July 30, 2005, the account had a balance of \$730.11. The City should develop policies and procedures to ensure bank accounts are authorized and properly budgeted and reported. The City should determine the propriety of this separate account and consider closing the account and depositing the balance in the City's General Fund. If the City continues to allow the Police Department to maintain a separate account, the City should include the account activity in its budget and financial statements. Disbursements should be properly supported, reviewed for propriety, authorized and approved.

Also, the bank signature cards should be updated to reflect current officials and employees as authorized signers. In addition, the Mayor's signature plate should be controlled by the City in a manner to ensure proper use. The purpose of the dual signature is defeated if the same individual is signing the check and applying the facsimile signature.

The majority of the account activity occurred prior to January 2004. However, because we were unable to verify the propriety of these disbursements, a copy of this report has been provided to the Harrison County Attorney for his review and determination as to what, if any, additional action is necessary and appropriate.

Response – The City will close this account.

Conclusion – Response accepted.

- (B) Former Police Chief's Vacation Pay - According to the City's Personnel Manual, Section VI, 6.1, "All vacation pay will be forfeited if employee fails to give the City two weeks notice of his resignation. Vacation requests must be submitted two (2) weeks prior to time off. Vacations must be requested by the employee to his department head and to City Clerk."

The former Police Chief resigned through a letter dated August 26, 2004 submitted by his attorney to the City Attorney rather than to the Mayor and City Council. The letter stated, in part, "Chief Smith's last day physically working will be August 30, 2004" and "Chief Smith requests full compensation for his vacation time to be paid to him in the regularly scheduled pay period."

On September 9, 2004, the City paid \$1,244.25 to the former Police Chief for 63 hours of accrued vacation. This payment was included in the regular payroll activity. However, there was no evidence the Council waived its policy and/or approved the vacation payout.

Recommendation - The former Police Chief did not comply with the requirement for two weeks notification or submit the request to his department head and the City Clerk. According to City policy, the vacation pay should have been forfeited. The City should consult with legal counsel to determine the proper disposition of this payment, including reimbursement from the former Police Chief.

Response - The City will consult with legal counsel to determine if reimbursement is required.

Conclusion - Response accepted.

- (C) Inventory of Capital Assets - The City has a listing of its capital assets, primarily consisting of City vehicles, fire trucks and street equipment, for insurance purposes. However, the City does not maintain a listing of equipment assigned to individuals, such as equipment provided to police officers to perform their official duties. City officials expressed concern with the purchase and distribution of equipment to these employees with no apparent control procedures in place to ensure accountability for these City assets. According to City officials, an inventory is taken of items turned in to the City prior to an employee leaving City employment. However, an inventory is not taken upon distribution to the employees and the City was unable to locate the inventory of items turned in when the former Police Chief resigned.

City officials also expressed concern over the purchase of and accountability for certain computers purchased by the City for the Police Department. According to City officials, upon his resignation, the former Police Chief turned in a computer which had been kept at his home. Although the City believes all the computers have been accounted for, it is unclear whether the City authorized the former Police Chief to take the computer to his home.

Due to the abrupt departure of the subsequent Police Chief during our fieldwork, we were unable to interview him and did not obtain the documentation, allegedly in his possession, pertaining to computer acquisitions. We were specifically asked to review this documentation. However, repeated requests for this information during and subsequent to our fieldwork remained unanswered. Accordingly, we were unable to review this issue, as requested.

Also, in our testing of City capital assets, the City was unable to locate the invoice or purchase agreement for the Police Department vehicle purchased in March 2005. However, we were able to observe the vehicle.

Recommendation - The City should maintain an inventory of equipment provided to employees. The inventory should be updated each time equipment is returned, updated or exchanged. The inventory should be maintained and retained for comparison to items returned upon the departure of employees. In addition, the City should perform periodic verification of equipment through inquiry and observation.

The City should establish a policy addressing private use of public property, as noted in the following finding and recommendation. Also, the City should retain documentation supporting all expenditures of public funds.

Response – The City will have the personnel policy re-written.

Conclusion – Response acknowledged. The City should maintain an inventory of equipment and retain documentation supporting all expenditures of public funds as noted in the recommendation.

- (D) Private Use of Public Property - The City does not have a policy addressing private use of public property, including cellular phones and vehicles.

City officials represented the City allowed its employees to use City-owned cellular phones for personal use. In prior years, the City allowed City-owned cellular phones to “pass” from former employees to new employees, as well as to employees’ spouses and a girlfriend of one employee. The City monitored the additional cost and received reimbursement for personal use by the employees, employees’ spouses and/or girlfriend. According to City officials, the City started to experience difficulty with timely reimbursement and retrieved the “unauthorized” cellular phones. The City currently has City-owned cellular phones for use by the City Clerk, each Department Head and staff in the City Clerk’s office.

Also, according to City officials, City vehicles are required to be kept at City Hall and employees are not allowed to take City vehicles home.

Recommendation – The City should establish a policy addressing the use of City-owned property, including cellular phones. Use of City-owned property by employees should be restricted solely and only for City-related business.

Response – The City will have personnel policy re-written to include use of cellular phones.

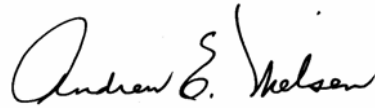
Conclusion – Response acknowledged. The City should also address the use of City vehicles in its personnel policy.

City of Missouri Valley

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Nicole B. Tenges, Staff Auditor
Michelle L. Harris, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State