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David A. Vaudt, CPA
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NEWS RELEASE

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FOR RELEASE January 12, 2006 8:00 am

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Valeria. The report covers the period January 1, 2004 through August 31, 2005. The special investigation was requested by the County Attorney as a result of alleged misappropriations of City funds. The City Clerk, Sheryl Jaber, left employment as a result of the concerns identified.

Vaudt reported the special investigation identified \$17,930.99 of improper disbursements and undeposited collections. The improper disbursements of \$16,294.24 include \$13,980.00 of payments to the former City Clerk, \$1,650.83 of payments to vendors and \$533.68 of payments to the Mayor. The former City Clerk issued herself 47 improper checks. She also issued 5 improper checks to the Mayor. Some of the payments to the former City Clerk and the Mayor were identified as payments for mowing.

The undeposited collections of \$1,636.75 consist of \$500.00 of funds withheld from a deposit by the former City Clerk and \$1,136.75 of undeposited proceeds from the City's vending machine. Vaudt also reported adequate records for receipts and disbursements were not available to determine whether all collections were properly deposited or additional amounts were improperly disbursed. In addition, Vaudt reported the City owes the former Clerk \$90.00 for attending Council meetings during 2005.

The report also includes recommendations to strengthen the City's internal control and overall operations.

Copies of the report have been filed with the Jasper County Sheriff's Office, the Jasper 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 VALERIA
FOR THE PERIOD
JANUARY 1, 2004 THROUGH AUGUST 31, 2005**

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David A. Vaudt, CPA
Auditor of State

Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at the request of the Jasper County Attorney, we conducted a special investigation of the City of Valeria. We have applied certain tests and procedures to selected financial transactions of the City of Valeria for the period January 1, 2004 through August 31, 2005. Based on discussions with City officials and representatives of the Jasper County Sheriff's Office and a review of relevant information, we performed the following procedures:

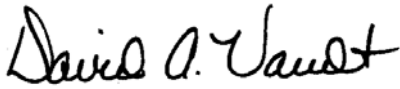
- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Examined records seized by representatives of the Jasper County Sheriff's Office while serving a search warrant.
- (3) Examined the bank statements for the City's checking account to identify any unusual activity. We also examined copies of certain canceled checks, deposit slips and related documents for propriety.
- (4) Scanned all disbursements and examined selected transactions to determine if they were properly approved, for appropriate purposes and supported by adequate documentation.
- (5) Examined deposits to the City's bank account to determine the source, purpose and propriety of each deposit. We also confirmed receipts received from the State of Iowa and Jasper County.
- (6) Examined invoices from the Pepsi distributor to determine the amount of products purchased for the City's vending machine and compared that amount to the proceeds deposited to the City's account.

These procedures identified \$16,294.24 of improper disbursements and \$1,636.75 of undeposited collections. We were unable to determine if all collections were properly deposited or additional amounts were improperly disbursed because adequate records for receipts and disbursements were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **E** 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 Valeria, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Jasper County Sheriff's Office, the Jasper 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 Valeria and the Jasper County Sheriff's Office during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2005

City of Valeria

Investigative Summary

Background Information

Sheryl Jaber assumed the duties of City Clerk for the City of Valeria on January 6, 2004. Although there is no City ordinance or official job description specifying the City Clerk's job duties, the basic responsibilities of the City Clerk include:

- completing budget forms,
- managing the City's finances, including maintaining a ledger, preparing disbursements, signing checks and depositing City funds,
- preparing monthly financial reports for the City Council and the City's Annual Financial Report,
- maintaining custody of the City's records,
- attending City Council meetings, preparing an agenda for the meetings and preparing and maintaining minutes of the Council meetings, and
- stocking the vending machine, as well as collecting and depositing proceeds.

The City's primary revenue sources are taxes from Jasper County and the State of Iowa. The City also maintains a vending machine with beverages at City Hall. The City makes monthly payments for water, electricity and propane. The City also has a phone line at the Mayor's residence. Officials and employees are paid annually at the rate of \$30 per meeting for the Clerk, \$17 per meeting for the Mayor and \$15 per meeting for Council Members.

When the Mayor of Valeria, Christina Rivers, visited the Colfax Post Office in early August 2005, the Postmaster informed her the City's mail had not been picked up for some time. During her review of the mail, the Mayor opened a bank statement and discovered the City's account balance was approximately \$1,800.00, which was significantly less than the \$11,000.00 balance she anticipated. When the Mayor questioned the City Clerk, who is also her roommate, about the discrepancy, she admitted to the Mayor she had taken City funds. The Mayor also discovered City funds may have been used for household expenses at the Mayor's and City Clerk's home. The Mayor then contacted the County Attorney.

The improprieties were brought to the attention of the Council at a meeting on August 15, 2005. Although Ms. Jaber never officially resigned from her position, she did not attend Council meetings after that date. At the September 13, 2005 Council meeting, a motion was passed to fill the position of Clerk informally vacated by Ms. Jaber.

In a letter dated August 12, 2005, the Jasper County Attorney contacted the Office Auditor of State to request an investigation. As a result of that request, we performed the procedures detailed in the Auditor of State's Report for the period January 1, 2004 through August 31, 2005.

The County Attorney's letter also indicated the Jasper County Sheriff's Office had initiated a criminal investigation and had served a search warrant on the home of the Mayor and Clerk where all current City documents were maintained. A representative of the Sheriff's Office obtained some Council minutes, a checkbook register, various bank statements and some miscellaneous invoices.

Detailed Findings

The procedures we performed identified \$16,294.24 of improper disbursements and \$1,636.75 of undeposited collections from January 1, 2004 through August 31, 2005. We were unable to determine if all collections were deposited or additional amounts were improperly disbursed during this time period because adequate records for receipts and disbursements were not available. All findings are summarized in **Exhibit A** and a detailed explanation of each finding is below.

IMPROPER DISBURSEMENTS

Because dual signatures were not required and Ms. Jaber was able to issue checks with no independent review or approval, we reviewed all disbursements from the City’s checking account and attempted to compare the payments to appropriate supporting documentation. However, supporting documentation was available for only a few of the City’s disbursements. In addition, the few disbursement listings that were provided to the Council at their monthly meetings did not include all payments.

As a result, we discussed all disbursements that were unusual in nature with 2 Council members to determine if they were appropriate. We also confirmed disbursements with vendors when possible. According to the Council members we spoke with, payments for City goods and services should be made directly to the vendors rather than reimbursing a City official for payments they made to the vendors.

Based on the procedures we performed, we identified improper payments to the Clerk, Mayor and various vendors. The improper disbursements are summarized in **Table 1** and a detailed explanation of each finding follows.

Table 1			
Description of Improper Payments	Number of Checks	Amount	
Payments to Ms. Jaber:			
Reimbursements and unknown	37	\$ 12,775.00	
Mowing	10	1,205.00	\$ 13,980.00
Payments to Ms. Rivers:			
Mowing	2	133.00	
Phone and unknown	3	400.68	533.68
Payments to other vendors	21		1,650.83
Finance charges and fees	-		129.73
Total			\$ 16,294.24

Payments to Ms. Jaber – During the period of our review, Ms. Jaber issued 50 checks to herself totaling \$15,395.00. According to the memo portion on the checks, 1 was for attendance at Council meetings and 11 were for mowing services provided to the City. The remaining 38 checks did not contain a description or appear to be for reimbursement of city expenses. The Council members we spoke with indicated Ms. Jaber should have received payments only for attendance at Council meetings, mowing and reimbursement for software she purchased for the City.

Council Meetings – Check number 2018 was issued to Ms. Jaber for \$360 on December 12, 2004. The notation on the check indicates it was for “being on Council.” We were able to obtain the minutes for only 8 Council meetings for the period January 1, 2004 through December 31, 2004.

Based on the amount paid to Council members, it appears there were 14 meetings during this period. Council meetings are held monthly and the Council Members we spoke with stated they thought 2 special meetings were held during the year. Documentation was not available to determine when the special meetings were held. According to the available minutes, Ms. Jaber attended 6 of the 8 meetings. Because it is reasonable she attended the remaining 6 meetings for which minutes are not available, we have considered this payment to be appropriate.

For the period January 1, 2005 to August 31, 2005, we obtained minutes for only 6 meetings, including 2 in August. Ms. Jaber's attendance was documented at 3 of the 6 meetings for which minutes were available. Because the minutes for the remaining 3 monthly meetings were not available, we can not determine if Ms. Jaber was present at these meetings. Because payments for attending Council meetings are made to the Clerk and Council members in December of each year, Ms. Jaber did not receive payment for attending any meetings during calendar year 2005. The City owes Ms. Jaber \$90.00 for attending at least 3 meetings.

Reimbursement of City Expenses – The remaining 38 checks to Ms. Jaber either did not contain a description in the memo portion of the check or the notation indicated the payment was a reimbursement of City expenses. Descriptions shown in the memos included supplies, fees, flowers, improvements to town hall, utility bills, mosquitoes, cash, Valeria Days and Pepsi purchases. The memo portion of some checks was illegible.

As stated previously, the Council members we spoke with stated payments were to be made directly to the City's vendors rather than as a reimbursement to the City Clerk or other City official. The Council members also stated no improvements had been made to City Hall and there is no such event as Valeria Days. The Council members did not recall approving any other reimbursements to the City Clerk for supplies, flowers or fees. They also stated bills were not to be paid in cash so there was no reason for Ms. Jaber to obtain cash.

The Council members we spoke identified only 1 authorized reimbursement made to Ms. Jaber. Check number 1940 was issued to Ms. Jaber on February 12, 2004 for \$65.00. According to the Council minutes from the February 10, 2004 meeting, the Council approved reimbursement to Ms. Jaber for the purchase of software.

Based on discussions with Council members, the remaining 37 checks issued to Ms. Jaber were not authorized by the Council and were not for City purposes. The checks total \$12,775.00 and have been listed in **Exhibit B**. The total has also been included in **Exhibit A**.

Mowing – As stated previously, the memo portion on 11 of the checks to Ms. Jaber indicate the payment was for mowing. Documentation was not available to support the 11 payments. According to Council members we spoke with, the City pays Council members or employees for mowing City property. They also stated both Ms. Jaber and the Mayor, Ms. Rivers, periodically provided mowing services during the summers of 2004 and 2005 and would have been entitled to receive \$45.00 each time they mowed. Approximately \$1,400.00 and \$1,300.00 was paid by the City for mowing services in 2004 and 2005, respectively.

We identified mowing payments made by the City from June 2000 through August 2005. Prior to April 2004, the City paid \$35 per mowing. **Table 2** lists the approved rate and the number of mowings the City paid for during the summers of 2000 though 2005.

Table 2

Time Period Payments Occurred	Approved Rate per Mowing	Number of Mowings	Total of Payments
June 2000 - October 2000	\$ 35.00	14	\$ 490.00
June 2001 - November 2001	35.00	11	385.00
July 2002 - September 2002	35.00	17	595.00
July 2003 - November 2003	35.00	16	560.00
May 2004 - September 2004	35.00/45.00	30	1,433.00
May 2005 - August 2005	45.00	26	1,300.00

As shown in the **Table**, the amount paid by the City increased significantly during 2004 and 2005, as did the number of mowings during the time Ms. Jaber and Ms. Rivers provided mowing services. The Council members we spoke with indicated mowing is necessary about once per week. We reviewed the 2004 and 2005 mowing payments with the Council members. They agreed the mowing payments for 2004 and 2005 appeared excessive.

In addition to the increased number of mowings, Ms. Jaber began paying herself \$50.00 per mowing, while the Mayor was paid \$45.00 for each mowing. According to the Council members we spoke with, the rate increase from \$45.00 to \$50.00 was not authorized. Also, the memo portion of some checks to Ms. Jaber indicate she was paid for gas, supplies or bank fees. Because supporting documentation was not available to support these expenses and Council members indicated there should not have been any payment in addition to the authorized rate, we have identified any payment exceeding the authorized rate as improper.

With input from the Council members we spoke with and by reviewing mowing payments made in earlier years, we determined it is reasonable to expect charges for mowing once per week. Charges for mowing more than once per week were identified as improper. We also identified payments for mowing prior to May as improper because mowing prior to the first part of May rarely occurred in the previous years. As illustrated in **Exhibit C**, we identified a payment to Ms. Rivers dated May 4, 2004 for 3 mowings.

The 10 checks issued to Ms. Jaber and Ms. Rivers between May 1, 2004 and September 30, 2004 for mowing appear to be for mowing on 30 occasions during the course of the summer. Only 17 of those occasions are reasonable for the time period covered by those payments. In addition, according to the notations on the checks, Ms. Jaber issued herself 7 checks between May 29, 2005 and August 8, 2005 for mowing on 26 occasions. Only 14 of those occasions are reasonable for the time period covered by the payments. **Exhibit C** lists the payments made by the City for mowing. The **Exhibit** also specifies what portion of each of the checks is improper and the basis for our determination. As illustrated by the **Exhibit**, we identified improper payments for mowing totaling \$1,338.00. This amount has been included in **Exhibit A**.

Payments to the Mayor – We reviewed each of the payments to the Mayor and determined check number 1983 issued to the Mayor on May 28, 2004 was improper. According to minutes from the Council’s May 18, 2004 meeting, the Council approved designating an additional phone line already in operation at the Mayor’s home as the City’s emergency phone line dedicated for Homeland Security purposes. According to the minutes, the Mayor stated she was willing to cease personal use of the second phone line in her home to dedicate it solely to use by fax machine and for City business. The minutes also specify the phone bill for that line would be the City’s responsibility. However, the Council did not approve a specific reimbursement amount. Just 10 days later, Ms. Jaber issued check number 1983 to the Mayor for \$153.00. The notation on the check indicated the payment was for “Emergency phone line.” Because documentation was not available to support the disbursement and it would be unlikely the Mayor had incurred phone expenses just 10 days

after the Council approved establishing the phone line, we have determined the payment was improper. In addition, the Mayor stated she continued to use this phone line for personal use.

We also identified an improper \$70.68 check issued to the Mayor that was not for Council meetings or mowing. Authorization for the payment was not documented in the available minutes of the Council meetings and supporting documentation was not available. The memo portion of the check includes the notation "Aug, Sept, Oct". The Council members we spoke with did not know the purpose of the payment.

In addition, we identified a \$177.00 payment to the Mayor that could not be supported. The check was dated February 11, 2005 and contained the notation "city phone & fax, water for 3 mo." When we spoke with the Mayor about this payment, she stated she did not know why the notation would include water. She is not to be reimbursed for water expenses because the City's water billings were paid directly to the City's water vendor. Because these 3 payments cannot be supported, we have included the total \$400.68 in **Exhibit A**.

Payments to Vendors – Since supporting documentation was available for only a few of the City's disbursements, we reviewed each of the payments to vendors with 2 City Council members. Where possible, we also obtained documentation from the vendors. When minutes were available, we compared payments to the listing of payments presented to and approved by the Council.

Based on the procedures we performed, we identified 21 improper disbursements to various vendors. The improper payments total \$1,650.83 and are detailed in **Exhibit D**. As illustrated by the **Exhibit**, 5 of the checks did not contain a description in the memo portion of the check and the description was illegible on other checks.

The improper payments include checks issued to Casey's, Colfax Valley and Kum & Go for gas, supplies and phone cards. Other improper payments were to Electronic Engineering for pagers, Lowe's for mowing, Office Depot for supplies, Office Max for supplies and ink, Wal-Mart for supplies and printer ink and the Comfort Inn for lodging. The apparent purpose of the payments was documented in the memo portion of the check. Council members we spoke with stated the City does not have pagers and payments for office supplies appeared to be excessive. They also indicated there would be no reason for the City to buy gas from vendors. Gas for mowing was to be included in the \$45.00 payment made to the mower. The Council members also stated Ms. Jaber would not have had a reason to purchase phone cards for the City.

The \$1,650.83 of improper payments to vendors has been included in **Exhibit A**.

In addition to the improper payments made to vendors, Ms. Jaber prepared a \$1,000.00 check to Derry Automotive dated July 20, 2004. The memo portion of the check indicates the payment was for "work on vehicle for town." However, the City does not own any vehicles.

According to the City's bank statement, the check cleared the City's bank account on July 20, 2004. On July 21, 2004, the amount of the check was deposited into the City's account. According to the deposit slip, the check was "returned payment stopped." The deposit slip was dated July 20, 2004. The Mayor stated the payment to Derry Automotive was for service to Sheryl Jaber's car. According to the Mayor, the car broke down again after the repair and Ms. Jaber's daughter recovered the payment from the mechanic. Because the funds were re-deposited to the City's account, we have not included this payment in **Exhibit A**.

Finance Charges and Fees – Because payments were not made in a timely manner to the Sully Cooperative Exchange and Central Iowa Water Association, the City was assessed \$129.73 of finance charges and fees. The Sully Exchange Cooperative and the Central Iowa Water Association provide propane and water, respectively, to the City. The City's water was shut-off on 2 occasions because payment had not been received. The finance charges and fees are summarized in **Table 3**. The \$129.73 total has been included in **Exhibit A**.

Table 3

Vendor	Finance Charge /Fees	Time Period Charges Occurred
Sully Cooperative Exchange (SCE)	\$ 47.29	01/01/04 – 06/30/05
Central Iowa Water Association (CIWA)	82.44*	01/01/04 – 08/10/05
Total	\$ 129.73	

* Includes two \$30.00 re-connection fees.

Payments to Council Members – As stated previously, payments for attending Council meetings are made to the Clerk and Council members in December of each year. Council members are paid \$15 for each meeting they attend. While we were not able to support the total amount paid because minutes from each meeting were not available, the payments appeared reasonable and are considered to be appropriate. These payments are not included in **Exhibit A**.

UNDEPOSITED COLLECTIONS

Funds Withheld from Deposit – As stated previously, the City’s primary revenue sources are taxes from Jasper County and the State of Iowa. According to the Mayor, funds collected are to be deposited intact and in a timely manner to the City’s checking account.

We confirmed with Jasper County and the State of Iowa the amounts remitted to the City during the period of our review to determine if all of the funds were properly deposited to the City’s account. We traced all payments to the City from Jasper County to their proper deposit in the City’s account.

Street Construction funds from the State of Iowa are usually deposited electronically directly to the City’s account. However, in October, November and December of 2004, the State issued warrants to the City. In accordance with section 312.14 of the *Code of Iowa*, cities are required to submit a city finance report by September 30 of each year. Because the City’s report was not submitted until January 2005, the Treasurer’s Office cancelled the electronic deposit and issued the Street Construction funds to the City in the form of State warrants. These warrants were withheld from the City until the report was received in January.

As illustrated by **Table 4**, the 3 warrants from the State totaled \$1,077.73. They were deposited by the City on January 7, 2005, but they were not deposited intact. Ms. Jaber’s name is on the deposit slip as the preparer. According to the deposit slip and bank statement, she deposited \$577.73 and withheld \$500 in cash. A copy of the deposit slip is included in **Appendix 1**. There is no documentation to explain why the cash was needed or how it was used. Council members we spoke with stated there was no reason for Ms. Jaber to need cash for City operations. The \$500 cash withheld from the deposit has been included in **Exhibit A**.

Table 4

Date State Warrant was Written*	Date of Deposit	Amount
10/14/04	01/07/05	\$ 385.27
11/10/04	01/07/05	325.83
12/16/04	01/07/05	366.63
Total proceeds		1,077.73
Less: Amount deposited		(577.73)
Cash withheld from deposit		\$ 500.00

* Warrants were withheld from City until January 2005.

Undeposited Collections from Vending Machine – In June 2004, the City acquired a vending machine. Ms. Jaber was responsible for stocking the machine. She was also to collect the proceeds and deposit them to the City’s account.

The City purchases Pepsi products from a distributor in Marshalltown and sells the 20-ounce beverages for \$1.25 each. We obtained copies of invoices from the Pepsi distributor for each purchase made by the City to determine the total number of products purchased. Each purchase is listed in **Exhibit E**.

By reducing the total number of bottles purchased from the distributor by the number of bottles in the machine on November 2, 2005, we determined 1,045 bottles had been sold as of November 2, 2005. There was also \$169.50 in the machine on November 2, 2005. As illustrated by **Table 5**, the total proceeds should have been \$1,306.25.

Description	Amount
Number of bottles purchased	1,200
Less: number of bottles in the machine on November 2, 2005	(155)
Number of bottles sold	1,045
Price charged per bottle	\$ 1.25
Calculated proceeds	1,306.25
Less: money in machine on November 2, 2005	(169.50)
Undeposited proceeds	\$ 1,136.75

Proceeds from the vending machine have never been deposited to the City’s bank account. As illustrated by the **Table**, the net amount of proceeds less the amount of cash in the machine totals \$1,136.75. The total undeposited amount of \$1,136.75 has been included in **Exhibit A**.

OTHER ITEMS

Annual Financial Reports – In accordance with section 384.22 of the *Code of Iowa*, the City is required to prepare and file an annual financial report with the Office of Auditor of State by December 1 of each year. Ms. Jaber did not submit the Annual Financial Report for the fiscal year ended June 30, 2004 as required.

Council Minutes – In accordance with section 372.13 (5) of the *Code of Iowa*, minutes should be maintained for at least 5 years. The minutes for March, April, July and August 2004 and May, June and July 2005 could not be located.

In addition, the City Clerk should provide a listing of individual bills to be approved by the Council at each meeting. The listing should be maintained with the minutes. Listings of approved payments were not available. In addition, the Council should require a financial report be submitted to the Council each month.

Insurance Coverage – The City had a surety bond with Allied Insurance that was effective for the period January 1, 2002 through January 1, 2005. The bond for the period January 1, 2005 through January 1, 2008 was canceled on March 10, 2005 due to non-payment.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Valeria to process receipts and disbursements. 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 City of Valeria'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, depositing and posting.
 - (2) Disbursements – check preparation and signature, distribution and posting.
 - (3) Financial Reporting – receipt of the bank statement, bank to book reconciliations, preparation and approval.

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 Clerk, Mayor and City Council members. In addition, the Council should review financial records, reconciliations and supporting documentation for accounting records on a periodic basis.

In addition, bank statements should be delivered to and reviewed by an official that does not collect or disburse City funds.

- B. Proceeds from the vending machine – In June 2004, the City acquired a beverage vending machine. The City Clerk was responsible for filling the machine and collecting and depositing proceeds. The proceeds from the vending machine were not deposited to the City's account. Based on information received from the distributor, the City should have collected \$1,136.75 of vending machine proceeds.

Recommendation – The City Council should develop procedures to ensure proceeds from the vending machine are collected on a regular basis, recorded in the City's ledger and deposited in the City's account in a timely manner.

- C. Financial Accounting Records – Very limited financial records were maintained by the City for the period of our investigation. Receipts and disbursements were not journalized, disbursements were not approved and documented in the minutes of each Council meeting, checks required only one signature and disbursements were not supported by invoices or other appropriate documentation.

Specifically, there were a number of disbursements paid to the former City Clerk that were not supported by invoices or other documentation. Also, there was no documentation to support the annual payments to the Mayor, City Clerk and Council Members for attendance at the Council meetings.

In addition, formal monthly financial reports were not prepared and presented at the City Council meetings.

Recommendation – The City should establish formal accounting records to properly account for the City's receipts and disbursements. All disbursements should be approved prior to payment and documented in the minutes. All payments should be supported by invoices or other appropriate documentation

All checks should be prepared and signed by the City Clerk and reviewed and countersigned by either the Mayor or a Council member. The review should include comparing invoices and supporting documentation to the check.

- D. Minutes - Minutes were not available for all meetings held. Additionally, minutes that were available were not always signed and did not always contain a detailed listing of individual bills approved for payment.

Recommendation – The City should keep a written record of all meetings held. The minutes should include all actions taken at the meeting, including a detailed listing of all individual bills approved. Also, the minutes should indicate members in attendance and be signed by a responsible individual to attest to the actions taken.

- E. Annual Financial Report - The City is required by section 384.22 of the *Code of Iowa* to prepare and file an annual financial report with the Office of Auditor of State by December 1 of each year. The City has not filed the Annual Financial Report for the fiscal year ended June 30, 2004.

Recommendation - The City should file the Annual Financial Report with the Auditor of State as required by the *Code of Iowa*.

City of Valeria

Exhibits

City of Valeria

Report on Special Investigation of the
City of Valeria

Summary of Findings

For the period January 1, 2004 through August 31, 2005

Description	Exhibit / Table / Page Number	Amount
Improper Disbursements:		
Payments to Ms. Jaber	B	\$ 12,775.00
Payments for mowing:	C	
To Ms. Jaber		\$ 1,205.00
To the Mayor		<u>133.00</u> 1,338.00
Payments to the Mayor	Pages 8-9	400.68
Payments to vendors	D	1,650.83
Finance charges and fees	Table 3	<u>129.73</u>
Total improper disbursements		16,294.24
Undeposited Collections:		
Funds withheld from deposit	Table 4	500.00
Undeposited collections from vending machine	Table 5	<u>1,136.75</u>
Total of undeposited collections		<u>1,636.75</u>
Total		<u><u>\$ 17,930.99</u></u>

City of Valeria

Report on Special Investigation of the
City of Valeria

Improper Payments to Sheryl Jaber

For the period January 1, 2004 through August 31, 2005

Check Number	Check Date	Payee	Notation on Check	Amount
1949	03/08/04	Sheryl L. Jaber	<i>none</i>	\$ 300.00
1950	03/18/04	Sheryl L. Jaber	supplies	275.00
1951	03/22/04	Sheryl L. Jaber	<i>illegible</i>	300.00
1952	03/25/04	Sherly L. Jaber	Pepsi	300.00
1953	04/02/04	Sheryl L. Jaber	Valeria days	400.00
1957	04/06/04	Sheryl L. Jaber	pay bill (electric, gas)	500.00
1958	04/09/04	Sheryl L. Jaber	gas, flowers, tree repair	400.00
1959	04/09/04	Sheryl L. Jaber	Improvement to town hall	350.00
1961	04/14/04	Sheryl L. Jaber	flowers, building for town hall	500.00
1964	04/17/04	Sheryl L. Jaber	pepsi for machine	350.00
1970	04/28/04	Sheryl L. Jaber	pepsi truck	350.00
1973	05/06/04	Sherly J. Jaber	pay bills in cash	350.00
1974	05/12/04	Sheryl L. Jaber	pay Pepsi man	400.00
1976	05/18/04	Sheryl L. Jaber	electric bill, water, gas	300.00
1978	05/18/04	Sheryl L. Jaber	buy Pepsi for machine	400.00
1979	05/24/04	Sheryl L. Jaber	Polls for spped signs etc. supplies	400.00
1982	05/27/04	Sheryl L. Jaber	Pepsi product for machine	350.00
1984	05/28/04	Sheryl L. Jaber	menards supplies	300.00
1985	06/06/04	Sheryl L. Jaber	Supplies, pepsi for machine	350.00
1986	06/08/04	Sheryl L. Jaber	cash for tree cutting	400.00
1987	06/10/04	Sheryl L. Jaber	mesquito's 2 mo	500.00
1992	06/23/04	Sheryl L. Jaber	spraying for mesquito X 2	500.00
1991	07/22/04	Sheryl L. Jaber	City bills, Pepsi machine, <i>illegible</i>	350.00
1996	07/24/04	Sheryl L. Jaber	supplies, <i>illegible</i>	300.00
2001	08/13/04	Sheryl L Jober	repayment of fees	650.00
2002	08/13/04	Sheryl L. Jaber	fees for returned checks	200.00
2004	08/16/04	Sheryl L. Jaber	pickup wrong checks	450.00
2024	12/30/04	Sheryl L. Jaber	pay bills	300.00
2026	01/20/05	Sheryl L. Jaber	<i>illegible</i> cash	200.00
2030	02/11/05	Sheryl L. Jaber	cash for electric bill	200.00
2034	02/26/05	Sheryl L. Jaber	pepsi refill for machine	200.00
2036	03/11/05	Sheryl L. Jaber	office max ink & paper	200.00
2041	03/21/05	Sheryl L. Jaber	cash for pepsi delivery	350.00
2044	04/14/05	Sheryl L. Jaber	<i>none</i>	400.00
2046	04/23/05	Sheryl L. Jaber	<i>none</i>	200.00
2047	04/29/05	Sheryl L. Jaber	for supplies	200.00
2048	05/09/05	Sheryl L. Jaber	menards bench & flowers	300.00
Total				<u><u>\$ 12,775.00</u></u>

Note: All checks listed above were signed by Sheryl Jaber.

Report on Special Investigation of the
City of Valeria

Improper Payments for Mowing Services

For the period January 1, 2004 through August 31, 2005

Per Check				
Check Number	Check Date	Payee	Check Memo	Check Amount
1972	05/04/04	Christina Rivers	mowing	\$ 115.00
1971	05/07/04	Christina Rivers	mowing	45.00
1980	05/25/04	Christina Rivers	mowing	45.00
1981	05/25/04	Sheryl L. Jaber	mowing city hall	45.00
1988	06/10/04	Sheryl L. Jaber	mowing	300.00
1993	06/22/04	Christina Rivers	mowing x 2	90.00
1990	07/21/04	Sheryl L. Jaber	mowing x 4, supplies	200.00
1997	07/30/04	Sheryl L. Jaber	mowing, pepsi refills	350.00
2003	08/13/04	Christina Rivers	mowing, excessive bank fees	153.00
2006	09/10/04	Christina Rivers	moving twice	90.00
			Subtotal for 2004	<u>1,433.00</u>
2053	05/29/05	Sheryl L. Jaber	mowing x 3	150.00
2057	06/11/05	Sheryl L. Jaber	mowing x 3 plus gas	150.00
2058	06/11/05	Sheryl L. Jaber	mowing x 3	150.00
2059	06/26/05	Sheryl L. Jaber	mowing x 3	150.00
2061	06/27/05	Sheryl L. Jaber	mowing \$50 x 5	250.00
2066	07/19/05	Sheryl L. Jaber	mowing x 4, gas for mower	250.00
2067	08/06/05	Sheryl L. Jaber	mowing x 4 & gas	200.00
			Subtotal for 2005	<u>1,300.00</u>
			Total	<u><u>\$ 2,733.00</u></u>

Note: Mowing should have been paid at the rate of \$45 per occurrence, with the exception of check number 1972 which was \$35 per occurrence.

* - The improper amount of \$1,338.00 consists of \$1,205.00 of checks written to Ms. Jaber and \$133.00 of checks written to the Mayor.

Apparent Number of Mowings	Auditor Determination			Explanation
	Reasonable Number of Mowings	Reasonable Amount	Improper Amount*	
3	-	\$ -	115.00	April mowings are unlikely
1	1	45.00	-	1st week of May
1	1	45.00	-	2nd week of May
1	1	45.00	-	3rd week of May
6	3	135.00	165.00	4th week of May, 1st and 2nd weeks of June
2	2	90.00	-	3rd and 4th weeks of June
4	-	-	200.00	Weeks during this period unaccounted for.
7	4	180.00	170.00	4 weeks in July
3	3	135.00	18.00	Last week in July, 1st and 2nd weeks of August
2	2	90.00	-	Late August and/or early September
<u>30</u>	<u>17</u>	<u>765.00</u>	<u>668.00</u>	
3	3	135.00	15.00	3 weeks of May
3	3	135.00	15.00	Last week of May, 1st and 2nd weeks of June
3	-	-	150.00	Duplicate of check number 2057
3	2	90.00	60.00	3rd and 4th weeks of June
5	-	-	250.00	Issued one day after check number 2059
5	3	135.00	115.00	Last week in June, 1st and 2nd weeks of July
4	3	135.00	65.00	3rd and 4th weeks of July and 1st week of August
<u>26</u>	<u>14</u>	<u>630.00</u>	<u>670.00</u>	
<u>56</u>	<u>31</u>	<u>1,395.00</u>	<u>1,338.00</u>	

Exhibit DReport on Special Investigation of the
City of Valeria

Improper Payments to Vendors

For the period January 1, 2004 through August 31, 2005

Check Number	Check Date	Payee	Memo on Check	Amount
1954	04/02/04	Walgreens	<i>none</i>	\$ 125.42
1955	04/02/04	Electronic Engineering	paggers	177.38
1960	04/09/04	Nevada Bob's	<i>none</i>	31.78
1962	04/14/04	Wal-Mart	<i>none</i>	56.23
1975	05/13/04	Wal-Mart	supplies	259.21
1977	05/14/04	Comfort Inn	<i>none</i>	154.56
1989	06/12/04	Wal-Mart	ink for computer	150.00
2015	11/16/04	Office Depot	office supplies	21.23
2016	11/16/04	Office Depot	office supplies	27.00
2027	01/25/05	Office Max	printer ink	82.08
2035	02/26/05	Colfax Valley	phone card	55.66
2039	03/18/05	Kum & Go	gas for city <i>illegible</i>	19.42
2040	03/18/05	Kum & Go	<i>none</i>	14.29
2042	03/28/05	Casey's	business imp	34.45
2052	04/29/05	Greg Rivers	ink for copy ordinance	34.76
2049	05/18/05	Colfax Valley	gas main, phone	67.31
2051	05/19/05	Casey's	gas for mowing	19.19
2050	05/19/05	Lowe's	mowing	137.25
2056	06/08/05	Office Max	supplies for city	141.21
2063	06/29/05	Colfax Valley	gas for <i>illegible</i> , supplies	32.40
2068	08/08/05	Colfax Valley	gas for <i>illegible</i>	10.00
			Total	<u><u>\$ 1,650.83</u></u>

Note: All checks listed above were signed by Sheryl Jaber.

Report on Special Investigation of the
City of Valeria

Purchases from Pepsi Distributor

For the period January 1, 2004 through August 31, 2005

Invoice Date	Number of Cases Purchased	Total Number of Bottles	Gross Price	Less: Discount	Plus: Deposit	Net Price	Check Number	Check Date
07/22/04	10	240	\$ 240.00	(41.25)	9.60	208.35	1998	07/22/04
09/30/04	11	264	275.00	(68.75)	13.20	219.45	2009	10/01/04
09/30/04	1	24	25.00	(6.25)	1.20	19.95	2010	10/01/04
12/16/04	9	216	225.00	(56.25)	8.40	177.15	2000	12/15/04
04/14/05	9	216	225.00	(56.25)	8.40	177.15	2043	04/14/05
06/30/05	10	240	250.00	(62.50)	9.60	197.10 *	2064	07/01/05
Total	50	1200	1,240.00	(291.25)	50.40	999.15		

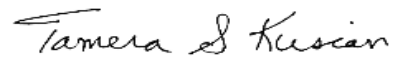
* - Check was written to Pepsi Cola Company for \$210.23, resulting in an overpayment of \$13.10.

Report on Special Investigation of the
City of Valeria

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jedd D. Moore, Staff Auditor
Tracy L. Haronik, Assistant Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State

Appendix

Report on Special Investigation of the
City of Valeria

Cash Withheld from Deposit

TOWN OF VALERIA
13910 CENTER ST
COLFAX, IA 50054

DATE Jan 7 2005
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

[Signature]
SIGN HERE FOR CASH RECEIVED

Exchange
State Bank
Ames - Collins - Exira - Mingo

→	\$ 85.27
→	325.03
→	366.63
→	500.00
→	577.13

620 ⑈0000057733⑈