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STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE _____ June 27, 2006 _____

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Ocheyedan for the period January 1, 2004 through December 31, 2005. The special investigation was requested by City officials as a result of concerns regarding certain credit card charges made by Stacy Terrill, the former City Clerk.

Vaudt reported the special investigation identified \$9,603.05 of improper disbursements. The improper disbursements included \$6,936.34 of payments on the City's credit card, \$1,819.83 of unauthorized payroll issued to the former City Clerk and \$846.88 of expense reimbursements issued to the former City Clerk. The improper payments on the city's credit card included \$5,299.84 for cash advances and fees, \$1,517.14 for improper purchases, including motels, meals and personal items, and \$299.36 for finance charges and late fees, net of \$180.00 paid on the account from non-City sources.

Vaudt also reported the former City Clerk's residential utility bill had been improperly decreased by \$116.44. In addition, Vaudt reported adequate records for receipts were not available to determine whether all City collections were properly deposited.

Vaudt recommended the City improve segregation of duties utilizing existing staff, establish written accounting policies and procedures, including a written credit card policy, and perform an independent review of supporting documentation for disbursements and timely remittance of payroll withholdings.

Copies of the report have been filed with the Osceola 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 OCHEYEDAN
FOR THE PERIOD
JANUARY 1, 2004 THROUGH DECEMBER 31, 2005**

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Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at your request, we conducted a special investigation of the City of Ocheyedan. We have applied certain tests and procedures to selected financial transactions of the City for the period January 1, 2004 through December 31, 2005. Based on discussions with City personnel 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) Scanned images obtained from the bank of all disbursements from the City's checking accounts to identify any checks issued to unusual payees or for unusual amounts.
- (3) Examined documentation for certain checks issued from the City's checking accounts to determine whether they were appropriate and properly supported.
- (4) Compared the approved bill listing included in the Council meeting minutes to the approved bill listing initialed by the Council and the published bill listing.
- (5) Examined all transfers between the City's 2 checking accounts to determine whether they were appropriate.
- (6) Examined payroll disbursements to the former City Clerk to determine whether the appropriate number of payroll disbursements had been made, to determine whether the amount paid was appropriate and to identify any improper or unsupported disbursements.
- (7) Examined purchases made with the City's credit card to determine whether they were appropriate for the City's operations.
- (8) Confirmed payments made to the City by the State of Iowa and Osceola County to determine whether they were properly deposited to the City's accounts.
- (9) Examined utility billing and collection records to determine whether utility collections were properly accounted for and deposited.
- (10) Examined the utility bill history for the former City Clerk's personal utility account to determine whether proper charges were billed to the account, to determine whether the proper number of payments had been made and to identify any improper or unsupported adjustments or credits.

These procedures identified \$9,603.05 of improper disbursements and an improper adjustment of \$116.44 to the former City Clerk's personal utility account. We were unable to determine whether all amounts received were deposited during this time period because adequate

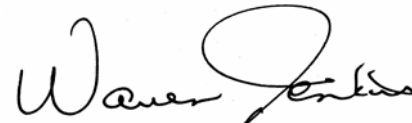
records were not available for all receipts. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **D** of this report.

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

Copies of this report have been filed with the Osceola 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 personnel of the City of Ocheyedan during the course of our investigation.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 6, 2006

City of Ocheyedan
Investigative Summary

Background Information

Stacy Terrill began employment as the City Clerk for the City of Ocheyedan on January 9, 2004. As the City Clerk, Ms. Terrill was responsible for:

- 1) Disbursements – check preparation, check signing, distribution and posting to the accounting records,
- 2) Payroll – check preparation, check signing and posting,
- 3) Utility billings – preparation, payment collection, posting in the customer ledgers and deposit preparation,
- 4) Other receipts – collection, posting to the accounting records and deposit preparation,
- 5) Reporting – preparation of Council minutes, budget-to-actual analysis and preparation of financial reports.

In addition, Ms. Terrill sorted mail, composed letters and responded to inquiries on a daily basis. According to a City official, normal City Hall hours are Tuesday through Friday, 8:00 a.m. until 12:00 p.m.

All City disbursements are to be made by check, except lodging for employee travel and purchases made by the Library Director. These payments are made using the City's credit card. Checks are to include signatures of both the City Clerk and the Mayor. The City does not have written accounting policies and procedures, including a formal credit card policy and a meal reimbursement policy.

At the end of November 2005, the local bank contacted Mayor Robert Truckenmiller regarding an overdue balance on the credit card issued to the City by the bank. Due to the nature of purchases made on the card, the bank was concerned the credit card had been stolen. At that time, Mayor Truckenmiller requested a copy of the most recent statement and contacted Mayor-elect Arlyn Pedley to inform him of the concern. According to a City official, Mayor-elect Pedley mentioned the bank's phone call and statement request to Ms. Terrill while in City Hall. At that time, Ms. Terrill informed Mayor-elect Pedley she had used the City's credit card for personal purposes. The next day, Mayor-elect Pedley informed Mayor Truckenmiller of Ms. Terrill's comments and Mayor Truckenmiller made arrangements for a special Council meeting to be held December 3, 2005.

After a closed session at the special Council meeting, Ms. Terrill offered her resignation, effective immediately. Subsequent to Ms. Terrill's resignation, the Council requested Ms. Diane Truckenmiller, former City Clerk, fill the Clerk position until a replacement could be hired. Ms. Truckenmiller agreed to perform minimal duties to sustain City business operations until a new Clerk could be appointed. After assuming the interim City Clerk position, Ms. Truckenmiller compiled a list of concerns identified while reviewing City records. She presented the list to the City Council. She also reviewed the City's credit card statements to determine whether purchases appeared reasonable for City operations.

As a result of the concerns identified, the Office of Auditor of State was requested to conduct an investigation of the City's financial transactions. We performed the procedures detailed in the Auditor of State's Report for the period January 1, 2004 through December 31, 2005.

Detailed Findings

These procedures identified \$9,603.05 of improper disbursements from January 1, 2004 through December 31, 2005 and an improper adjustment of \$116.44 to the former City Clerk's personal utility account. During the course of our investigation, we examined all disbursements made from the City's checking accounts. The improper disbursements included payments made on the City's credit card for personal purchases and payments made to Ms. Terrill. We were unable to determine whether all amounts received were deposited during this time period because adequate records were not available for all receipts. All improper disbursements and transactions identified are summarized in **Exhibit A** and a detailed explanation of each finding follows.

Improper Use of the City's Credit Card – The City's MasterCard account was authorized by the Council and was used by both Ms. Terrill and the Library Director. According to a City official, cash advances were not an allowable use of the City's credit card and all City obligations should be paid with a check rather than cash.

Credit card charges totaled \$8,058.94. In addition, \$299.36 of finance charges and late fees were charged to the account. The charges and fees have been summarized in **Exhibit B**, which lists the vendors and/or locations where charges were incurred. As illustrated by the **Exhibit**, charges included cash advances, gasoline purchases and purchases made at department stores.

For each of the charges, we reviewed available supporting documentation to determine whether the transaction was appropriate for City operations or whether it was personal in nature. However, supporting documentation could not be located for a number of the charges. For certain purchases from Wal-Mart, we were able to obtain an itemized receipt from the store where the purchase was made. Based on a review of the Wal-Mart receipts obtained, only personal items were purchased, including clothing, groceries, personal care products and candy. For the remaining unsupported charges, we inquired of the acting City Clerk and the Mayor as to the propriety. According to City officials, vendors which would not be reasonable for authorized City purchases include Reunion.com, Priceline Hotel and Timber Lodge.

Of the total purchases, we determined \$1,241.96 were for allowable purposes. The remaining \$6,816.98 included \$1,517.14 of purchases that were personal in nature and \$5,299.84 of cash advances and cash advance fees. These amounts have been included in **Exhibit A**. The **Exhibit** also includes \$209.36 of finance charges and \$90.00 of late fees which were charged to the account.

Payments totaling \$8,358.30 were made on the City's credit card. This amount is equal to the total purchases and fees. According to a bank representative, once the balance was paid in full, the account was closed. Of the total payments, \$180.00 was not paid with City checks. We are not able to determine the source of the 4 payments totaling \$180.00, which have also been included in **Exhibit A**.

Unauthorized Payroll Checks Issued to Stacy Terrill – As stated previously, Ms. Terrill began employment with the City of Ocheyedon on January 9, 2004. On December 15, 2003, the City Council initially set Ms. Terrill's salary at \$700 per month, to be re-evaluated after a 180-day probationary period. At the June 14, 2004 Council meeting, Ms. Terrill's salary was evaluated and increased to \$750 per month, effective July 1, 2004.

Payroll checks prepared by Ms. Terrill were calculated at one-half the authorized monthly rate but were issued on a bi-weekly basis. By issuing payroll on a bi-weekly basis, Ms. Terrill received 26 paychecks per year instead of 24. As a result, Ms. Terrill received \$1,500.00 in unauthorized payroll. **Table 1** summarizes the amount overpaid.

Table 1

	01/09/04 - 06/30/04	07/01/04 - 12/02/05
Authorized monthly salary	\$ 700.00	750.00
Number of months	5.5	17
Subtotal	3,850.00	12,750.00
Adjustment #	210.00*	-
Authorized gross salary	4,060.00	12,750.00
Gross amount paid (Exhibit C)	4,060.00	14,250.00
Amount overpaid	\$ -	1,500.00

- Per payroll register.

* - Gross pay for 01/09/04 - 01/16/04.

Ms. Terrill also issued an additional check to herself on September 8, 2005 for \$319.83. While the check agreed with Ms. Terrill's typical net pay, the check was not recorded in the payroll register. The individual checks issued to Ms. Terrill are listed in **Exhibit C**. The total overpayments of \$1,819.83 has been included in **Exhibit A**.

Improper Expense Reimbursements Issued to Stacy Terrill – We identified 10 non-payroll checks issued to Stacy Terrill. The checks total \$1,239.02 and are listed in **Exhibit D**. The checks had no explanation or were not supported by appropriate documentation. Based on discussions with City officials, it is possible the former Clerk would receive payments for reimbursement of supplies or travel expenses. Reimbursements should be based on invoices for supplies and documented dates and locations for travel.

A check issued in August 2004 and a second check issued in August 2005 appear to be reimbursements of travel expenses for attendance at the annual Clerk's Institute in Ames, Iowa. We were able to confirm with officials at Iowa State University Ms. Terrill attended the conference in July 2004 and July 2005. The portion of the reimbursements attributable to mileage appears reasonable. As a result, the mileage reimbursement was not identified as improper. Round trip mileage was estimated at 390 miles and the reimbursement was calculated using \$0.305 and \$0.405 per mile for the August 2004 and August 2005 payments, respectively. According to a review of the Council minutes, these were the approved rates in effect at the time of the respective reimbursements. The estimated mileage reimbursement totals \$276.90.

In addition, City officials identified restaurant charges and receipts for meals on dates which correspond with the dates of the Clerk's Institute. The restaurants were located in Ames, Iowa. We reviewed the charges and receipts and identified allowable meal reimbursements of \$115.24, excluding purchases of alcoholic beverages. The charges have been included in **Exhibit B** as improper because the meals were also reimbursed to Ms. Terrill.

It appears lodging was appropriately charged on the City's credit card and was properly excluded in the reimbursement payments. As a result, \$846.88 of the \$1,239.02 total, as illustrated by **Table 2**, has been included in **Exhibit A**.

Table 2

	Amounts	
Total per Exhibit D	\$ 1,239.02	
Less reasonable amounts:		
Mileage estimate	276.90	
Meal reimbursements	115.24	392.14
Net amount (included in Exhibit A)	\$ 846.88	

Because the remaining disbursements were to Ms. Terrill were not supported by appropriate documentation and the City has made several payments directly to vendors for supplies, these payments are considered improper.

Improper Adjustment to Stacy Terrill's Personal Utility Account – As stated previously, utility billings and collections were the responsibility of Ms. Terrill. Based on a review of Ms. Terrill's personal utility account history, an unsupported adjustment of \$116.44 was identified in the month of July 2005. A payment had not been made on the account during the preceding two months. It appears the adjustment was made to reduce the outstanding balance of \$170.88 to \$42.10, after addition of the current month charges of \$37.66 and the posting of a \$50.00 payment. City officials were not aware of any reason Ms. Terrill's account should have been adjusted. As a result, the \$116.44 adjustment is considered improper and has been included in **Exhibit A**.

Ms. Terrill was not performing reconciliations of utility billings, collections and delinquent accounts. Therefore, we were unable to determine whether all amounts received were deposited.

Recommended Control Procedures

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

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible. The City Clerk had control over each of the following areas for the City:
- (1) Cash – preparation of bank account reconciliations, recording of cash transactions and custody.
 - (2) Receipts – collecting, depositing, journalizing and posting.
 - (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (4) Disbursements – check preparation, check signing, distribution and posting.
 - (5) Payroll – check preparation, check signing, distribution and posting.
 - (6) Financial reporting – preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

- (B) Receipts and Disbursements – For the period of our review, very limited financial accounting records were maintained by the City. The following conditions were identified:
- (1) Receipts and disbursements were not journalized.
 - (2) Pre-numbered receipts were not issued for collections.
 - (3) Certain disbursements were not approved or documented in the minutes of City Council meetings.
 - (4) Certain disbursements were not supported by invoices or other appropriate documentation.

Recommendation – The Council should establish formal accounting records to account for City financial transactions, such as receipts, disbursements and payroll. Receipt and disbursement journals should be established to categorize collections and disbursements. The City Clerk should issue pre-numbered receipts for all collections and account for the numerical sequence of all receipts.

In addition, all disbursements should be approved prior to payment, with approval documented in the minutes record. All checks should be reviewed by an independent individual. The review should include comparing invoices and supporting documentation to the check. The independent reviewer should then countersign the check before distribution.

- (C) Credit Card – The City has not adopted a formal policy to regulate credit card use and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purpose, as well as the types of supporting documentation required to substantiate charges. This card should only be used for city business and should be signed only by authorized individuals.

- (D) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The Council should review the reconciliation and monitor delinquencies.

- (E) Payroll Records – Payroll tax returns were not properly maintained and payroll withholdings were not paid to the proper authorities in a timely manner, resulting in penalties assessed to the City.

Recommendation – Payroll withholdings should be remitted to the proper authorities in a timely manner to avoid interest and penalties. The Mayor or another responsible official should periodically review the payroll records. Evidence of this review should be indicated by initials of the independent reviewer and the date of the review.

- (F) Publication of Approved Disbursements – Although bill listings were presented to the City Council for approval, the bill listing initialed by the Council Members was not always the same as the approved listing included in the signed minutes record or the published approved bill listing.

Recommendation – All disbursements should be presented to the City Council for approval. The approved bill listing should then be included in the signed minutes record and published within 15 days as required by Chapter 372.13(6) of the *Code of Iowa*.

- (G) Written Policies and Procedures – The City does not have written accounting policies and procedures.

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

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

(H) Incomplete City Records – During our review, the following conditions were identified:

- (1) Copies of minutes for all Council meetings could not be located. In addition, several minutes which were located were incomplete and/or unsigned. Therefore, there was no record of meeting attendance.
- (2) Complete records of petty cash disbursements and replenishments were not maintained.
- (3) Monthly bank account reconciliations could not be located.
- (4) Timesheets were not completed and reviewed by a responsible official.
- (5) Monthly financial reports were not prepared and presented to the Council.

Recommendation – The Mayor or another responsible official should periodically review the accounting records and documents, such as minutes of meetings, resolutions and other significant documents. Evidence of this review should be documented through initials of the reviewer, documented Council approval or another appropriate method.

City of Ocheyedan

Special Investigation of the
City of OcheyedanSummary of Findings
For the period January 1, 2004 through December 31, 2005

Description	Exhibit / Page Number	Amount
Improper use of the City's credit card, net of non-City payments	Exhibit B	\$ 6,936.34
Unauthorized payroll checks to Stacy Terrill	Page 6-7	1,819.83
Improper expense reimbursements to Stacy Terrill	Exhibit D	846.88
Subtotal of disbursements		<u>9,603.05</u>
Improper adjustment made to Stacy Terrill's personal utility account	Page 8	116.44
Total		<u><u>\$ 9,719.49</u></u>

Special Investigation of the
City of Ocheyedan

Activity on the City's Credit Card Account
For the period January 1, 2004 through December 31, 2005

Payments and Credits

Statement Date	City	Non-City	Total	Transaction Date	Vendor
04/14/04	\$ -	-	-	04/06/04	W[al]M[art] Supercenter, Spirit Lake, IA
				04/13/04	W[al]M[art] Supercenter, Worthington, MN
05/14/04	-	50.00	50.00	04/16/04	W[al]M[art] Supercenter, Spirit Lake, IA
				05/10/04	W[al]M[art] Supercenter, Worthington, MN
06/14/04	-	-	-	---	---
07/15/04	-	50.00	50.00	06/14/04	W[al]M[art] Supercenter, Spirit Lake, IA
				06/16/04	Sym*Symantec
				06/20/04	Mills Fleet Farm #29, Mason City, IA
				06/27/04	Amoco Oil, Ida Grove, IA
				06/27/04	Amoco Oil, West Des Moines, IA
				07/12/04	First Federal Savings, Ames, IA
				07/11/04	Shell Oil, Hampton, IA
				07/13/04	Chili's, Ankeny, IA
08/13/04	19.95	50.00	69.95	07/14/04	Red Lobster, Ames, IA
				07/16/04	River Valley Credit, Ames, IA
				07/16/04	Holiday Inn Express, Ames, IA
				07/15/04	AT&T, Basking Ridge, NJ
09/15/04	439.75	-	439.75	08/23/04	Perkins Family Rest[aurant], Lakeville, MN
10/14/04	-	-	-	09/21/04	Holiday Inns Airport, Des Moines, IA
11/12/04	1,148.08	-	1,148.08	---	---
12/15/04	-	30.00	30.00	---	---
01/14/05	-	-	-	---	---
02/14/05	-	-	-	01/16/05	Perkins Rest[aurant], Clear Lake, IA
				01/16/05	Staples #781, Mason City, IA

	Amount Charged	Allow able Purchase^^	Improper Purchase	Cash Advance and Fee	Finance Charges	Late Fees
\$	147.78	-	147.78	-	-	-
	84.04	-	84.04	-	-	-
	135.05	-	135.05	-	4.34	-
	150.76	-	150.76	-	-	-
	-	-	-	-	5.79	-
	129.64	-	129.64	-	7.98	-
	19.95	19.95	-	-	-	-
	23.12	-	23.12	-	-	-
	14.06	-	14.06	-	-	-
	21.00	-	21.00	-	-	-
	205.53	-	-	205.53	-	-
	31.00	-	31.00	-	-	-
	14.00 @	-	14.00	-	-	-
	28.89 @	-	28.89	-	16.41	-
	32.00	-	-	32.00	-	-
	439.75	439.75	-	-	-	-
	7.65	-	7.65	-	-	-
	43.54	-	43.54	-	13.04	-
	169.06	169.06	-	-	13.40	-
	-	-	-	-	-	15.00
	-	-	-	-	-	-
	-	-	-	-	-	-
	31.34	-	31.34	-	2.16	-
	16.01	16.01	-	-	-	-

Special Investigation of the
City of Ocheyedan

Activity on the City's Credit Card Account
For the period January 1, 2004 through December 31, 2005

Payments and Credits

Statement Date	City	Non-City	Total	Transaction Date	Vendor
				01/19/05	Bank of the West, Worthington, MN
03/16/05	-	-	-	03/02/05	Dr *Symantec.com
				03/04/05	Dr *Symantec.com
				03/12/05	Amoco Oil, Hartley, IA
04/14/05	367.28	-	367.28	03/25/05	Melvin Savings Bank, Sibley, IA
				03/23/05	W[al]M[art] Supercenter, Worthington, MN
				03/23/05	Murphy USA, Worthington, MN
				04/01/05	United Missouri Bank, Kansas City, MO
				04/01/05	Gas-Mart USA, St. Joseph, MO
05/13/05	-	-	-	04/22/05	Melvin Savings Bank, Sibley, IA
				04/30/05	Wal-Mart, Spirit Lake, IA
06/15/05	-	-	-	05/26/05	Melvin Savings Bank, Sibley, IA
				05/28/05	Sibley State Bank, Sibley, IA
07/15/05	3,050.00	-	3,050.00	07/11/05	Dr *Symantec.com
08/16/05	73.37	-	73.37	07/18/05	GeAngelo's, Ame[s], I[A]
				07/18/05	Casey's General Store, Hampton, IA
				07/20/05	Midwest Heritage Bank, Ames, IA
				07/19/05	Panera Bread, Ames, IA
				07/20/05	Hickory Park Restaurant, Ames, IA
				07/20/05	Old Chicago, Ames, IA
				07/22/05	Quality Inns, Ames, IA
				07/22/05	Kum & Go, Ames, IA
				07/24/05	Culver's, Clear Lake, IA

Amount Charged	Allow able Purchase^^	Improper Purchase	Cash Advance and Fee	Finance Charges	Late Fees
206.04	-	-	206.04	-	-
69.95	69.95	-	-	3.37	-
13.90	13.90	-	-	-	-
39.51	-	39.51	-	-	-
561.50	-	-	561.50	5.62	15.00
28.21	-	28.21	-	-	-
32.00	-	32.00	-	-	-
307.53	-	-	307.53	-	-
21.00	-	21.00	-	-	-
661.50	-	-	661.50	18.39	-
133.20	-	133.20	-	-	-
611.50	-	-	611.50	30.80	15.00
612.00	-	-	612.00	-	-
36.94	36.94	-	-	18.18	15.00
14.20 @	-	14.20	-	5.56	-
38.00	-	38.00	-	-	-
256.53	-	-	256.53	-	-
8.22 @	-	8.22	-	-	-
8.22 @	-	8.22	-	-	-
20.90 @	-	20.90	-	-	-
321.24	321.24	-	-	-	-
14.50	-	14.50	-	-	-
27.66	-	27.66	-	-	-

Special Investigation of the
City of Ocheyedan

Activity on the City's Credit Card Account
For the period January 1, 2004 through December 31, 2005

Payments and Credits

Statement Date	City	Non-City	Total	Transaction Date	Vendor
				07/24/05	Casey's General Store, Clear Lake, IA
				07/28/05	Liberty Bank FSB, Arnolds Park, IA
09/15/05	-	-	-	08/26/05	Reunion.com, LLC, Los Angeles, CA
10/14/05	412.34	-	412.34	09/24/05	Best Buy, Sioux Falls, SD
				09/24/05	Menards, Sioux Falls, SD
11/14/05	-	-	-	10/20/05	Shopko, Worthington, MN
				10/28/05	Barnes & Noble, Sioux Falls, SD
				11/12/05	Wal-Mart, Spencer, IA
12/15/05	52.81	-	52.81	11/16/05	Wal-Mart, Worthington, MN
				11/18/05	Sibley State Bank, Sibley, IA
				11/18/05	United Community Bank, Ocheyedan, IA
				11/18/05	Priceline Hotel
				11/19/05	Target, Sioux Falls, SD
				11/19/05	Timber Lodge, Burnsville, MN
				11/21/05	Security State Bank, Sheldon, IA
				11/19/05	Burnsville Citgo, Burnsville, MN
				11/20/05	Holiday Inn, Bloomington, MN
**	2,614.72	-	2,614.72	---	---
Total	\$ 8,178.30	180.00	8,358.30		Total
	(1,241.96)				Less: Allowable Purchases
	<u>\$ 6,936.34</u>				Net Amount

@ - Meal cost incurred during Clerk's training. Cost was reimbursed to the clerk.

** - The City made payments on December 20, 2005 and January 9, 2006 in the amounts of \$912.40 and \$1,702.32, respectively. The total of \$2,614.72 satisfied the remaining balance and the account was closed. Subsequent statements were not issued.

^^ - Allowable purchases were identified through review of available documentation and inquiry of the Mayor and acting City Clerk.

- Net of \$25.20 credit.

Note: Items in italics were added by auditor.

Amount Charged	Allowable Purchase^^	Improper Purchase	Cash Advance and Fee	Finance Charges	Late Fees
33.00	-	33.00	-	-	-
389.13	-	-	389.13	-	-
36.00	-	36.00	-	14.15	-
8.46	8.46	-	-	10.94	15.00
27.02	27.02	-	-	-	-
17.89 #	17.89	-	-	10.38	-
36.70	36.70	-	-	-	-
11.04	11.04	-	-	-	-
11.31	-	11.31	-	28.85	15.00
662.00	-	-	662.00	-	-
410.04	-	-	410.04	-	-
57.71	-	57.71	-	-	-
54.05	54.05	-	-	-	-
84.21	-	84.21	-	-	-
384.54	-	-	384.54	-	-
10.50	-	10.50	-	-	-
36.92	-	36.92	-	-	-
-	-	-	-	-	-
\$ 8,058.94	1,241.96	1,517.14	5,299.84	209.36	90.00

Exhibit CSpecial Investigation of the
City of OcheyedanUnauthorized Payroll Checks Issued to Stacy Terrill
For the period January 1, 2004 through December 31, 2005

Pay Period Ending	Per Payroll Register			Per Check		
	Gross Pay	Total Deductions[@]	Net Pay	Date	Check Number	Amount
01/16/04	\$ 210.00	40.08	169.92	01/16/04	30703	\$ 169.92
01/30/04	350.00	55.13	294.87	01/30/04	30708	294.87
02/13/04	350.00	52.13	297.87	02/13/04	30742	297.87
02/27/04	350.00	52.13	297.87	02/27/04	30747	297.87
03/12/04	350.00	52.13	297.87	03/12/04	30795	297.87
03/26/04	350.00	52.13	297.87	03/26/04	30798	297.87
04/09/04	350.00	47.02	302.98	04/09/04	30809	302.98
04/23/04	350.00	47.02	302.98	04/23/04	30859	302.98
05/07/04	350.00	47.02	302.98	05/07/04	30863	302.98
05/21/04	350.00	47.02	302.98	05/21/04	30900	302.98
06/04/04	350.00	53.49	296.51	06/04/04	30909	296.51
06/18/04	350.00	53.49	296.51	06/15/04	30916	296.51
Subtotal	4,060.00	598.79	3,461.21			3,461.21
07/02/04	375.00	57.50	317.50	07/02/04	30959	317.50
07/16/04	375.00	57.50	317.50	07/16/04	30972	317.50
07/30/04	375.00	57.50	317.50	07/30/04	31017 #	317.50
08/13/04	375.00	57.50	317.50	08/13/04	31066	317.50
08/27/04	375.00	57.50	317.50	08/27/04	31074	317.50
09/10/04	375.00	57.50	317.50	09/10/04	31080	317.50
09/24/04	375.00	57.50	317.50	09/24/04	31123	317.50
10/08/04	375.00	57.50	317.50	10/08/04	31132	317.50
10/22/04	375.00	57.50	317.50	10/22/04	31170	317.50
11/05/04	375.00	57.50	317.50	11/05/04	31174	317.50
11/19/04	375.00	51.40	323.60	11/19/04	31213	323.60
12/03/04	375.00	51.40	323.60	12/03/04	31218	323.60
12/17/04	375.00	51.40	323.60	12/17/04	31264	323.60
12/31/04	375.00	51.73	323.27	12/31/04	31269 #	323.27
01/14/05	375.00	51.73	323.27	01/14/05	31310	323.27
01/28/05	375.00	51.73	323.27	01/28/05	31312	323.27
02/11/05	375.00	51.73	323.27	02/11/05	31322	323.27
02/25/05	375.00	51.73	323.27	02/25/05	31356	323.27

Special Investigation of the
City of Ocheyedan

Unauthorized Payroll Checks Issued to Stacy Terrill
For the period January 1, 2004 through December 31, 2005

Pay Period Ending	Per Payroll Register			Per Check		
	Gross Pay	Total Deductions [@]	Net Pay	Date	Check Number	Amount
03/11/05	375.00	51.73	323.27	03/11/05	31365	323.27
03/25/05	375.00	51.73	323.27	03/25/05	31400	323.27
04/08/05	375.00	56.55	318.45	04/08/05	31405	318.45
04/22/05	375.00	56.55	318.45	04/22/05	31449	318.45
05/06/05	375.00	55.17	319.83	05/06/05	31456	319.83
05/20/05	375.00	55.17	319.83	05/20/05	31498	319.83
06/03/05	375.00	55.17	319.83	06/03/05	31503	319.83
06/17/05	375.00	55.17	319.83	06/17/05	31509	319.83
07/01/05	375.00	55.17	319.83	07/01/05	31554	319.83
07/15/05	375.00	55.17	319.83	07/15/05	31595	319.83
07/29/05	375.00	55.17	319.83	07/29/05	31605 #	319.83
08/12/05	375.00	55.17	319.83	08/12/05	31646	319.83
08/26/05	375.00	55.17	319.83	08/26/05	31659	319.83
	-	-	-	09/08/05	31660 **	319.83
09/09/05	375.00	55.17	319.83	09/09/05	31664	319.83
09/23/05	375.00	55.17	319.83	09/23/05	31701	319.83
10/07/05	375.00	55.17	319.83	10/07/05	31708	319.83
10/21/05	375.00	55.17	319.83	10/21/05	31748	319.83
11/04/05	375.00	55.17	319.83	11/04/05	31755	319.83
11/18/05	375.00	55.17	319.83	11/18/05	31785	319.83
12/02/05	375.00	55.17	319.83	12/02/05	31792 #	319.83
Subtotal	14,250.00	2,087.13	12,162.87			12,482.70
Grand Total	\$ 18,310.00	2,685.92	15,624.08			\$ 15,943.91

@ - Total deductions include IPERS, FICA/Medicare, Federal Income Tax and State Income Tax.

- The City Clerk's salary was approved by the Council at \$750 per month. The former City Clerk paid herself bi-weekly resulting in an overpayment twice per year.

** - We were unable to identify a pay period for this payment.

Exhibit D

Special Investigation of the
City of OcheyedanImproper Expense Reimbursements Issued to Stacy Terrill
For the period January 1, 2004 through December 31, 2005

Check Number	Per Check		Unsupported Reimbursements	
	Check Date	Amount	Reasonable	Improper
30840	04/13/04	\$ 17.82	-	17.82
30891	05/11/04	202.86	-	202.86
30950	06/15/04	27.90	-	27.90
31051	08/10/04	201.02	161.84 #	39.18
31257	12/14/04	93.30	-	93.30
31439	04/12/05	24.40	-	24.40
31454	05/04/05	135.23	-	135.23
31490	05/10/05	174.15	-	174.15
31635	08/09/05	83.03	-	83.03
31656	08/26/05	279.31	230.30 #	49.01
		<u>\$ 1,239.02</u>	<u>392.14</u>	<u>846.88</u>

- Estimated mileage reimbursement based on estimated 390 round trip miles from Ocheyedan to Ames and a mileage rate of \$0.305 for the 08/10/04 check and a mileage rate of \$0.405 for the 08/26/05 check. Also, the allowable amount includes meal reimbursements in the amount of \$115.24.

Special Investigation of the
City of Ocheyedan

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Paul F. Kearney, CGFM, Senior Auditor
Bradley A. Meisterling, Assistant Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State