



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
515/281-5835
or Annette Campbell
515/281-5834

FOR RELEASE

November 17, 2022

Auditor of State Rob Sand today released a reaudit report on the City of Mitchellville for the period December 1, 2018 through March 31, 2022. The reaudit was performed at the request of petitioners pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. The petition submitted to the Office of Auditor of State requested a reaudit of the year ended June 30, 2020. However, based on the nature of the concerns presented, the reaudit also covered items applicable during the period December 1, 2018 through March 31, 2022.

The reaudit was requested as a result of concerns regarding the propriety of certain financial transactions, including those related to payroll, utilities, purchases, Local Option Sales Tax (LOST), COVID reimbursements, and transactions in funds established for the cemetery, library, Fire Department, and the Parks and Recreation Department. Concerns also included compliance with certain sections of the *Code of Iowa*.

Sand reported the procedures identified timesheets not signed by the employee's supervisor and determined overtime incurred by employees was not approved in advance as required by the City's handbook, documentation of the City Council's approval of pay rates for firemen and paramedics was not available, authorized signers on a bank account held for the Library are no longer Library Board members, not all minutes of Library Board meetings were maintained, and sufficient documentation was not maintained to ensure all Library donations and collections by the Parks and Recreation Department were properly deposited. In addition, City officials should establish a contract or other appropriate agreement, which is approved by the City Council, to document who is responsible for the purchase of supplies for the concession stand, staffing, and how the proceeds are to be distributed.

Sand recommended specific corrective action to City officials, including ensuring proper documentation is maintained, timesheets are properly approved by supervisors, authorized signers on bank accounts are updated, and compliance with all applicable sections of the *Code of Iowa*.

A copy of the reaudit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

CITY OF MITCHELLVILLE
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
DECEMBER 1, 2018 THROUGH MARCH 31, 2022

Table of Contents

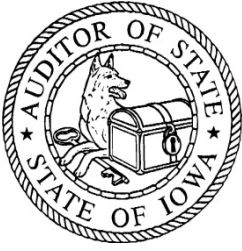
	<u>Page</u>
Officials	3
Auditor of State's Report on Reaudit	4-5
Background Information	7
Detailed Findings and Additional Information Regarding Concerns Presented in Petition	7-18
Staff	19

City of Mitchellville

Officials

(As of July 1, 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Brand	Mayor	Dec 2020
Dean McGhee	Council Member	Dec 2019
Steve Zook	Council Member	Dec 2021
Treasa Mitchell-Arterburn	Council Member	Dec 2019
LaBrent Lawler	Council Member	Dec 2023
Bill Roberts	Council Member	Dec 2021
Nedra Hoover	Council Member (started 01/01/20)	Dec 2023
Nicholas Murrow	Council Member (started 01/01/20)	Dec 2023
Tammi Dillavou	City Administrator	Indefinite
Rahni Brose	City Clerk	Indefinite
Bill Mallory	City Attorney	Indefinite
Wayne Patterson	Director Public Works	Indefinite
Mike Twohey	Fire Chief	Indefinite
Derrick Spoerry	Police Chief	Indefinite



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 Mitchellville in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2020 and the workpapers prepared by the City's Certified Public Accounting (CPA) firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the City. Based on this review and our review of the preliminary information available, we determined a reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City for the period December 1, 2018 through March 31, 2022.

Based on a review of relevant information and discussions with City officials and personnel, we performed the following procedures:

1. Obtained and examined minutes of various City Council meetings and resolutions to determine what actions were taken by the City Council and what approvals were granted. We also determined the City's compliance with section 21.5 of the *Code of Iowa* regarding closed meetings.
2. Examined the City's payroll journals to determine propriety of recorded information.
3. Tested activity recorded in certain utility accounts to determine if utility rates were properly applied.
4. Examined certain purchases made by the City to determine if they were properly supported, approved, and appropriate for City operations. We also determined if change orders were obtained and approved for certain purchases.
5. Interviewed City officials and personnel to obtain information and determine if they had any concerns regarding City financial matters.
6. Examined the City's Local Option Sales Tax (LOST) ballot and accounting records to determine compliance.
7. Obtained information from the bank and examined statements for the bank account held in the name of the "Mitchellville Library Spec Projects & Memorial Fund" to determine the authorized signers on the account and to determine propriety of the transactions within the account.
8. Reviewed minutes of Library Board meetings and reviewed the City's Code of Ordinances to determine compliance with attendance requirements.
9. Reviewed financial information related to the City's Cemetery Perpetual Care fund to determine propriety of transactions in the account.
10. Tested the use of COVID funds received by the City to determine compliance with federal guidelines.

11. Examined financial transactions in the City's Fire Safety Building Fund and Fire Equipment Fund to determine propriety and if they were approved by the City Council.
12. Compared a calendar of events sponsored by the Parks and Recreation Department to accounting records to ensure collections were recorded. We also evaluated controls surrounding the collections to determine if adequate policies and procedures were in place and operating effectively.
13. Obtained an understanding of the operations of the concession stand at the City's baseball and softball fields to determine if the City has established the appropriate safeguards.

Based on the performance of these procedures, we:

- identified timesheets not signed by the employee's supervisor,
- determined overtime incurred by employees was not approved in advance as required by the City's handbook,
- determined documentation of the City Council's approval of pay rates for firemen and paramedics was not available,
- determined City Administrator's contract was reasonable and properly approved by the City Council,
- determined authorized signers on a bank account held for the Library are no longer Library Board members,
- determined not all minutes of Library Board meetings were maintained,
- determined sufficient documentation was not maintained to ensure all Library donations and collections by the Parks and Recreation Department were properly deposited, and
- determined the City does not have an agreement which specifies responsibilities between the City and the Mitchellville Athletic League for concession stand operations.

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 the District, additional matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by the officials and personnel of the City during the course of the reaudit.



ROB SAND
Auditor of State

October 25, 2022

City of Mitchellville

City of Mitchellville

For the period December 1, 2018 through March 31, 2022

Background Information

We received a citizens' petition to conduct a reaudit of the City of Mitchellville for fiscal year 2020. The request specified the concerns listed in the next section of this report, including:

- the City's compliance with section 21.5 of the *Code of Iowa* regarding closed meetings,
- propriety of payroll transactions,
- utility account activity,
- purchases made by the City,
- propriety of the City's Local Option Sales Tax (LOST) transactions,
- the custody of an account held for the Library and transactions within the account,
- compliance with attendance requirements for Library Board members,
- propriety of financial transactions within the City's Cemetery Perpetual Care fund,
- use of COVID funds received by the City,
- financial transactions in the City's Fire Safety Building Fund and Fire Equipment Fund,
- whether all funds collected by the Parks and Recreation Department were properly deposited, and
- operations of the concession stand at the City's baseball and softball fields.

As a result of the request, we performed a review of the City's audit report and workpapers prepared by the CPA firm engaged by the City to determine whether a complete or partial reaudit of the City should be performed. As a result of this review, we determined it was necessary to perform reaudit procedures for all concerns specified. We also determined it was necessary to extend the period of the reaudit for certain concerns. As a result, the reaudit procedures were performed for the period December 1, 2018 through March 31, 2022 as applicable to each concern.

Information obtained while performing the procedures is included in the following section of this report along with the concerns provided to us. Some of the concerns and findings include recommendations to City officials for corrective actions and/or improvements and their responses. Other concerns did not require recommendations to or responses from City officials based on our findings. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had we performed additional procedures, additional matters might have been identified and included in this report.

**Detailed Findings and Additional Information
Regarding Concerns Presented in Petition**

- 1) **Salaries** – How does someone go from \$12/hour in one year and get a \$6,000 raise. The Parks and Recreation Board had their Ordinance changed by the City Administrator because he didn't want to follow his Board's rules.

Auditor's Response – Pay increases should be approved by the City Council. During our review of actions taken by the city Council, we determined a resolution was approved on March 2, 2020 which provided pay increases for City employees effective July 1, 2020. The resolution stated the City Council approved a 3% cost of living wage adjustment for employees and additional merit-based payroll changes. In addition to eight 3% increases specified in the resolution, three employees received an increase totaling 6% and one employee received an 8% increase. The

current and new pay rates approved by the Council for the two remaining employees who received increases in excess of 8% are listed in the following table along with the percentage increase and the increase to the employees' annual payroll, assuming a full-time position of 2,080 hours per year.

Employee	Current Pay Rate	New Pay Rate	Percentage Increase	Increase for 2,080 hrs/yr
Breanne Appleby	\$ 12.73	15.00	18%	\$ 4,722
Matt Cleverley	12.62	16.00	27%	7,030

We also reviewed the resolution approved by the City Council on July 1, 2019 which provided a 3% cost of living wage adjustment for employees. No employee received an increase in excess of 3% effective July 1, 2019 and pay increases between July 1, 2019 and July 1, 2020 were identified.

In addition to reviewing action taken by the City Council, we reviewed the City's payroll journals and did not identify any instances where an inappropriate hourly rate was used to calculate payroll amounts. During our review of the payroll journals, we identified a number of instances where overtime was incurred; however, the timesheets of the employees paid overtime were approved.

Matt Cleverley was appointed as the Parks and Recreation Director. Per the City's Code of Ordinances, Chapter 21 City Administrator, the City Administrator has the power to "appoint or employ all employees to fill authorized positions with the exception of the City Clerk, Library, Police and Fire Department personnel. The appointment or employment of employees at the department head level is subject to Council approval." The City represented that the Parks and Recreation Director is not a Department Head and is a part-time position of approximately twenty hours per week. Therefore, Council approval was not necessary for the appointment of the Parks and Recreation Director.

Because the Council properly approved the pay increase effective July 1, 2020 and overtime paid to employees was approved prior to payment, we did not perform further testing.

- 2) **Water Bills** – They fluctuate between \$30 and \$50 when there is no reason from month to month.

Auditor's Response – We tested certain utility accounts to determine if utility rates were properly applied. Based on the testing we performed, the gross amount of billings varied each month in accordance with increases or decreases in usage. The water and sewer rates were properly applied.

- 3) **Timesheets [sic]** – If the [City Hall] ladies can be closed 7 months out of the past year and work Tuesdays and Thursdays one person at a time, then why do we need three full-time employees?

Auditor's Response – While not specified, it appears the citizen's question is regarding the time period City Hall was closed in 2020 due to the COVID-19 pandemic. According to documents we reviewed, including minutes of City Council meetings and communications issued by the City, the City Council closed City Hall starting March 18, 2020 and reopened it to the public effective June 1, 2020. Since reopening, City Hall has not been closed for an extended period.

According to City officials, employees continued to work while City Hall was closed from March through May in 2020. In order to ensure social distancing, only one administrative employee worked in City Hall on a given day, but the remaining employees worked remotely on those days.

City officials have a fiduciary responsibility to efficiently and effectively achieve its mission, provide oversight of the City's operations, and maintain the public trust. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

Oversight should include establishing practices and procedures to ensure City resources are managed in the most fiscally responsible manner possible. However, determination of how that is done is a management responsibility and the manner in which it is carried out is at the discretion

of the City Council members and those to whom they choose to delegate duties for carrying out their instructions. City officials are responsible for making difficult decisions on how to best use the City's revenues and fund necessary community services and capital projects. Elected officials must balance the needs of the citizens while also keeping the tax rate at an acceptable level.

- 4) **Shed Purchase** – At one City Hall meeting, the Parks and Recreation Director asked for an \$8,500 shed. Council asked City Administrator where that money would come from. Her response, “We can take a little here and there.” This happened to be budget night and a new Council member, when it came to the Library's budget, [stated] the Library Director asked for \$500, but the City Administrator balked when he found a discrepancy in the budget finances. So, the City Administrator said they would get back to the budget later. For more information, you might want to ask the Director of the Library.

Auditor's Response – As previously stated, we reviewed the workpapers prepared by the City's CPA firm. During that review, we determined they included a disclosure the purchase of the shed was approved by the City Council. We also observed supporting documentation which showed the shed was purchased on January 21, 2020, for \$8,220.00 and determined the purchase was properly recorded in the City's accounting system.

We also spoke with the City official who had a question regarding the Library budget. The official explained it wasn't a discrepancy; rather, he had misread some of the report and he resolved the matter with the City Administrator. When we reviewed the City's budget, a discrepancy was not identified. In addition, the Library Director did not identify a concern regarding the funds used for purchasing the shed when we spoke with her.

- 5) **Family Relationship** – There are concerns the City Administrator's brother is a Council member and approves her salary and approves the City Administrator to write her own contract, which includes writing her own severance package.

Auditor's Response – While section 372.13(3) of the *Code of Iowa* requires each City Council appoint a City Clerk, appointment of other City positions is dependent upon City policy. City Administrator positions are typically appointed through action of the City Council. Section 362.2(15) specifies elected or appointed officers of the City are to have a fixed term. However, the law does not stipulate any term lengths which allows cities to develop terms that best fit their needs. Some cities establish lengths on appointments, such as one or two years, and then either re-appoint the individual after the term expires or allow the term to end and appoint another person. Other cities do not place any term lengths on appointees and consider the appointment to be ongoing until the City Council makes a change or the individual leaves employment with the City.

We examined the minutes of the November 16, 2020 City Council meeting which document a motion was made by a Council member to approve “Resolution 2020-63 Approving City Administrator Contract.” The Council member making the motion was not related to the City Administrator. All remaining members of the City Council, including the City Administrator's sibling, voted on the motion which was unanimously approved.

Chapter 71 of the *Code of Iowa* states, in part, it is unlawful for an elected individual to appoint someone as clerk or to another position to be paid from public funds if that person is related “by consanguinity or affinity, within the third degree” to the elected individual, unless the appointment was first approved by the Council. While the Council member who is a sibling of the City Administrator voted to approve her contract at the November 16, 2020 City Council meeting, this was not a violation of Chapter 71 because he did not solely appoint the Administrator. Instead, her appointment was approved by a vote of the City Council. However, the spirit of the *Code* section was not met.

In addition to reviewing City Council minutes, we reviewed the related resolution dated November 16, 2020 and the previous resolution regarding the Administrator's employment agreement dated December 18, 2018. We also examined the contents of the City Administrator's contract and did not identify any terms which were unusual in nature. As a result, additional testing was not performed.

Auditor’s Recommendation – In order to avoid the appearance of favoritism, a potential conflict of interest, and/or nepotism, all City Council members should abstain from voting on motions involving family members or matters which may be of personal benefit to them.

City’s Response – Council members will receive more detailed training on conflict of interest and/or nepotism issues. The Mayor and the City Administrator will review cases where there is a potential conflict of interest and advise the Council member to abstain in order to comply with the spirit of the Chapter 71.

Auditor’s Conclusion – Response accepted.

- 6) **Potential Conflict of Interest** – People are concerned with a City Council member, who is also a realtor, selling the City Administrator’s family’s relatives land for \$13,500,000.

Auditor’s Response – Section 68B.2A of the *Code of Iowa* states, “Any person who serves or is employed by the state or a political subdivision of the state shall not engage in any outside employment or activity which is in conflict with the person’s official duties and responsibilities.” This section then lists a number of situations in which an unacceptable conflict exists, including using city time or resources to give themselves or an immediate family member an advantage or benefit not available to members of the public.

The situation described is not a conflict of interest in accordance with the *Code*. However, we believe City officials should be concerned about preventing the appearance of favoritism or corruption even for actions that are legal.

- 7) **Sales Tax Proceeds** – Concerns regarding where the new sales tax money is used were expressed.

Auditor’s Response – The City received Local Option Sales Tax (LOST) for the first time in fiscal year 2019. In order for a city to have a LOST, a majority of the eligible electors in that city must approve it in a county-wide election. While the election is county wide, the local option sales tax only applies in those incorporated or unincorporated areas of the county where the majority of the eligible electors approve the tax. The ballot must specify:

- the tax rate (not more than 1%),
- the date it will be imposed,
- the approximate amount or percentage of LOST collections that will be used for property tax relief, if any, and
- the specific purpose(s) for which LOST collections will be spent if for something other than or in addition to property tax relief.

The ballot may also include a sunset clause for termination of the tax, but that is optional. The amount of LOST collections reported in the City’s annual audit reports for fiscal years 2019 through 2021 are summarized in the following table.

Fiscal year	Beginning Balance	Additions	Deductions	Ending Balance
2019	\$ -	914,044	-	914,044
2020	914,044	570,559	455,066	1,029,537
2021	1,029,537	293,756	1,145,000	178,293

We reviewed the ballot for the City’s LOST and determined it specified 50% of LOST collections would be for property tax relief and 50% for capital improvement projects, including water, sewer, and roads. We also ensured the transfers from the LOST account maintained by the City were properly approved by the City Council. Specifically, for fiscal year 2020, we reviewed Resolution 2020-34 approved by the City Council on August 3, 2020 and effective June 30, 2020.

- 8) **Library Trust and Agency Account** – One lady spoke about being at a Library Board meeting, and in the meeting, there was a T&A (Trust and Agency) account that was in the name of two Trustees on the Board, which is illegal. One Board member suggested we have an audit since it was in two Trustee’s names, which should have been the City of Mitchellville and the Library. The City Administrator spoke up and [said] “we don’t need that; we have an audit every year by an independent audit [firm].” If that was the case, why didn’t the independent auditor find the account when the City Administrator had the statements? The lady wouldn’t sign [the petition for reaudit] because her husband works for the City and she knew he would be bullied in somehow.

Auditor’s Response – The Mitchellville Public Library Board of Trustees is made up of five members appointed for three-year terms by the Mayor with the approval of the City Council. The Board members are responsible for approving disbursements for the Library’s operations; however, the disbursements must also be approved by the City Council prior to payment.

We reviewed Resolution #2004-02 “A RESOLUTION ESTABLISHING A LIBRARY TRUST & AGENCY FUND FOR THE BENEFIT OF THE MITCHELLVILLE PUBLIC LIBRARY.” The resolution was passed by the City Council on February 2, 2004. It specified the City would establish an expendable trust account within the City’s accounting system. It also specified the primary source of funds to the account was anticipated to be donations, memorials, and other financial gifts given directly to the Library for their use and all other monies received by the Library were to be forwarded to the City Clerk for recording and depositing in accordance with section 384.3 of the *Code of Iowa*. In addition, the resolution stated the Library Board of Trustees has sole authority to determine how the funds were to be spent.

In April 2022, we obtained a confirmation statement from the bank where the account is held and verified the name on the account is “MITCHELLVILLE LIBRARY SPEC PROJECTS & MEMORIAL FUND.” The bank also provided a history of authorized signers for the account which included Debra Thomas and Joan Allsup since March 10, 2017. They were identified on the signature card as “President” and “Treasurer,” respectively. We confirmed Ms. Thomas and Ms. Allsup served on the Library board during fiscal year 2020. However, the current Board members listed on the Library’s website do not include these individuals.

The account is included in the City’s annual audit report within the Special Revenue funds and is labeled as the Library Memorial account. We also determined during our reaudit procedures the bank statements for the account are sent to the authorized signers and the bank account is reconciled by the City Administrator. To ensure appropriate oversight, the bank statements should be sent directly to someone who is not authorized to disburse funds from the account. We reviewed the fiscal year 2020 activity in the bank account and did not identify any unusual transactions.

We also spoke with the Librarian regarding the account. She reported she does not receive copies of the monthly statements for the account and was denied access to the statements by the bank because her name was not on the account. However, to ensure appropriate segregation of financial duties, it is not necessary for the Librarian to have access to the bank account or the monthly statements. Instead, she should be provided needed financial information by the City Clerk or Administrator.

Auditor’s Recommendation – City officials should ensure the authorized signers on the bank account are updated to include only current Board members. Also, the authorized signers should be updated in a timely manner each time the composition of Board members changes. To ensure appropriate oversight, the bank statements for the account should be sent directly to someone who is not authorized to disburse funds from the account.

City’s Response – The bank statements were sent to the authorized signer, but they were also sent directly from the bank to City Hall. The address on the bank statement is City Hall’s PO Box. This bank account was closed in March 2021. The City updates all our bank accounts after each election. City Administrator will ensure that the Library follows the same procedure, in the event that another bank account is ever opened for the Library.

Auditor’s Conclusion – Response accepted.

- 9) **Attendance at Library Board Meetings** – At the same Library Board meeting, the lady stated “Board member missed 7 consecutive meetings in a row because she was mad at another Board member. The Library Ordinance says” six consecutive you’re terminated. This member who missed 7 meetings is a friend of the City Administrator. And told the City Attorneys that the Board [member had] Covid. Which was not true, so at the City Hall meeting March 1st, the City Administrator is changing the Ordinance to keep her friend on the Board and asked the Council to approve and to keep her due to her having Covid, which was not true. (I did not ask the Library Director about this but you can follow up [with] that Director.)

Auditor’s Response – We also reviewed minutes of Library Board meetings and Chapter 22 of the City’s Code of Ordinances which addresses the operations of the City’s Library. Specifically, the Code of Ordinances states, in part, “The position of any Trustee shall be deemed vacated if such member is absent from six consecutive regular meetings of the Board, except in the case of sickness or temporary absence from the City or County.” The minutes of the Library Board meetings document attendance and, by reviewing the minutes for meetings held from July 2019 through August 2020, we determined Deb Briggs missed the January 2020 meeting and the five consecutive monthly meetings held in March through July 2020. However, minutes of the August 2020 Board meeting were not available for our review. As a result, we were unable to determine if Ms. Briggs attended the meeting or missed a sixth consecutive meeting in violation of the Library Ordinance.

Auditor’s Recommendation – Members of the Library Board and other City officials should implement procedures to ensure compliance with all provisions of Chapter 22 of the Code of Ordinances. In addition, minutes of all Library Board meetings should be properly maintained.

City’s Response – The Board member in question is a former Council member and Library Board Trustee. I did contact the City Attorney regarding the Library Director’s request that the individual be removed from the Board. Because the Mayor wanted to keep her on the Board and the Council had voted to keep her on the Board, I checked with the City Attorney to see if that was allowed. The attorney advised because the Board member missed meetings for a medical reason it was legal for Council to allow her to retain her Board seat.

Chapter 22 of the City’s Code of Ordinance was not changed, nor did I suggest that Council change it. However, the City Attorney suggested that we might want to change it, as the Library Board of Trustees is the only City Board that states members can be removed due to absences. I have instituted a checklist to ensure she has received and filed the minutes from all the City Boards, including the Library.

Auditor’s Conclusion – Response accepted.

- 10) **Library Pop Can Proceeds** – Pop can money from the Library should be going directly to the Director. It is not. Not all collections are being deposited.

Auditor’s Response – When we spoke with the Librarian, she reported the Library receives significant proceeds from pop cans which a Board member deposits to the bank account. The Librarian expressed concern the proceeds should not be deposited to the account and called it “illegal.” As previously stated, Resolution #2004-02 provides donations given to the Library are a primary source of funds deposited to the Trust & Agency fund (also referred to as the Library Memorial account.) We observed the bin where cans and bottles are collected. It is clearly labeled “MITCHELLVILLE LIBRARY CAN & BOTTLE DONATION BIN THANK YOU FOR DONATING.” As a result, it is clear to those leaving cans and/or bottles they are making a donation to the Library. Based on the language of the resolution approved by the City Council in 2004, depositing donation proceeds from the cans and bottles to the Trust and Agency/Library Memorial account is appropriate.

We reviewed deposits recorded in the City’s accounting records for redemption of pop cans. The accounting records show \$2,159.56 was deposited in fiscal year 2018, \$1,946.40 was deposited in fiscal year 2019, and \$1,111.28 was deposited through January 31, 2020 of fiscal year 2020. The

pop can deposits began again in August of 2020. We obtained a list of checks written by the Pella Can and Bottle Redemption Center to an account in the name of a Library Board Member and Mitchellville Library. We were able to trace all checks to deposit in the City's bank accounts. Deposits for fiscal year 2021 were \$7,084.45. Deposits for the first half of fiscal year 2022 were \$3,145.85.

On March 15, 2020, the Governor signed a proclamation of disaster emergency in response to the COVID-19 pandemic. The proclamation suspended section 455C.3(1) of the *Code of Iowa* and chapter 567-107 of the Iowa Administrative Code which required dealers to accept empty beverage containers on which a deposit was made. As a result, the pandemic likely impacted collection of pop can proceeds for the remainder of fiscal year 2020.

When we asked the Librarian about controls over the collection and deposit of pop can proceeds, she reported a former Library Board member collected the cans from the donation bin and transported them to a redemption center. The Librarian reported she did not see any deposits related to the redemptions until the Trust and Agency account was turned over to the City in March 2021. After that point, the former Board member remitted the redemption center checks to the Librarian for deposit with the City. The Librarian also reported she received an email from the former Board member in February 2022 stating she would no longer handle the cans. The Librarian reported she started picking up the cans herself after that and took them to the redemption center where she received cash and a receipt.

Because sufficient controls were not present over the collection of the pop can proceeds, we are unable to determine if all proceeds were properly deposited prior to August 2020.

Auditor's Recommendation – City officials should ensure sufficient supporting documentation is maintained for all collections. An independent person should reconcile the amount collected to the supporting documentation and evaluate the frequency of deposits, such as pop can proceeds, to ensure completeness. In addition, an independent person should reconcile the amount deposited to the total collections to ensure all collections are properly deposited. Any variances identified during reconciliations should be addressed and resolved in a timely manner.

City's Response – All bins for the collection of cans and bottles have been removed from City property. The City is no longer collecting cans and bottles for redemption.

Auditor's Conclusion – Response accepted.

- 11) **Input from Council Member** – The petitioner reported citizens believe a specified City Councilman “has a lot to share.”

Auditor's Response – We held a discussion with the City official specified by the petitioner. The City official addressed the following concerns.

- He stated concern regarding the City Administrator's brother (a Council member) not abstaining from voting in matters regarding her employment and salary.

As previously stated, in order to avoid the appearance of favoritism, a potential conflict of interest, and/or nepotism, all City Council members should abstain from voting on motions involving family members or matters which may be of personal benefit to them.

- When asked about a matter that we were told he identified as a budget discrepancy, he stated it wasn't a discrepancy; rather, he had misread some of the report and he resolved the matter with the City Administrator.

When we scanned the City's budget regarding the specific matter, a discrepancy was not identified.

- 12) **Financial Irregularities** – A lot of people spoke about the City Administrator’s embezzlement at the Christian Church, and their concerns were if she has done it once, she’ll did [sic] it again. One of the signers on the petition asked a Councilman about his sister’s embezzlement; he responded on a text to her that was that we will make mistakes.

Auditor’s Response – Using available public records, we were unable to confirm the petitioner’s allegation regarding an embezzlement.

We did not identify any concerns while performing reaudit procedures which indicated City collections were not properly deposited or disbursements were improperly made. The City is subject to an annual audit during which audit risks are to be identified and testing procedures modified to address the risks. As a result, reaudit procedures specific to this concern were not performed.

- 13) **Cemetery Fund** – How are the funds used?

Auditor’s Response – The use of the funds from the Cemetery Perpetual Care fund are subject to the City Council’s review and approval, as are all City funds. When funds are disbursed from the account, they should be listed with other disbursements approved by the Council and citizens can be informed of the disbursements by reviewing these listings. In addition, the activity in the fund is included in the City’s annual audit report. The following activity was included in the City’s audit reports for fiscal years 2019 through 2021.

Fiscal year	Beginning Balance	Additions	Deductions	Ending Balance
2019	\$ 43,556	50	-	43,606
2020	43,606	965	-	44,571
2021	44,571	300	115	44,756

As illustrated by the table, no funds from the Cemetery Perpetual Care fund were disbursed during fiscal years 2019 and 2020. The \$115.00 disbursed during fiscal year 2021 was transferred to the City’s General Fund.

- 14) **COVID Funds** – In response to an inquiry of how COVID funds were spent, the City Administrator reported in a November 2, 2021 email the City had applied for \$81,616.63 from the Iowa CARES Act Reimbursement and was awarded \$53,664.90.

Auditor’s Response – We performed testing to determine if the use of COVID funds reported by the City, including the period claimed, were allowable under the CARES Act. With the exception of one purchase, all reimbursements for which the City received funding were in accordance with federal guidelines. The one exception was a \$99.99 standing table purchased on July 30, 2020. The table was a replacement for an open counter that was removed at City Hall and replaced with plexiglass.

- 15) **Fire Department Funds** – The Fire Department transferred \$102,000 for two account[s]. However, if you look at the bill, the bill is for approximately \$88,000 less the \$10,000 grant. Leaving approximately \$78,000 net cost. The difference is approximately \$24,000. Where did that money go[?]

Auditor’s Response – The minutes of the January 3, 2022 City Council meeting document unanimous approval of Resolution 2022-05 “Transferring Funds from the Fire Safety Building Fund to the Fire Equipment Fund” to pay for new oxygen tanks. The resolution specifies \$62,502.01 was transferred from the Fire Safety Building Fund to the Fire Equipment Fund. The minutes of the City Council meeting also document the Fire Department received a \$10,000 grant for the purchase and the transfer would cover the remaining amount. We observed the quote for the breathing apparatus items which totaled \$88,374.00.

We also determined Resolution 2020-38 transferred \$78,000 from the Fire Truck Fund and \$24,000 from the Fire Equipment Fund to the Fire Safety building Fund in August 2020. These two transfers totaled \$102,000. The resolution, “Transferring Funds for Fiscal Year 2021 From Various Funds to Fund a Fire Safety Building Fund” also included transfers to the Fire Safety Building Fund from the LOST Fund, City Improvement Fund, and the Blake Trust which totaled an additional \$641,853.82. Our scan of the Fire Safety Building Fund account did not identify any unusual disbursements.

- 16) **Stage 3 Water Lines** – The Parks and Recreation Department wants a \$181,000 budget, but we are unable to get our Stage 3 Water Lines installed because we didn’t get the grant.

Auditor’s Response – During our review of the City’s disbursements, we identified eight payments made from August 2021 through March 2022 related to Phase 3 of the Water Replacement. The payments were properly approved by the City Council, and we obtained the related supporting documents for the payments which appear reasonable.

City officials have a fiduciary responsibility to efficiently and effectively achieve its mission, provide oversight of the City’s operations, and maintain the public trust. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity.

Oversight should include establishing practices, procedures, and budgets to ensure City resources and equipment are managed in the most fiscally responsible manner possible. However, determination of how that is done is a management responsibility and the manner in which it is carried out is at the discretion of the City Council members and those to whom they choose to delegate duties for carrying out their instructions. City officials are responsible for making difficult decisions on how to best use the City’s revenues and fund necessary community services and capital projects. Elected officials must balance the needs of the citizens while also keeping the tax rate at an acceptable level.

- 17) **Employee Payroll** – Concerns were expressed regarding the amounts paid to certain City employees and the amount of overtime they were paid.

Auditor’s Response – We reviewed all payroll transactions for fiscal year 2020 and tested transactions to determine if the correct pay rate was used. Based on the testing performed, we determined the following:

- We did not identify any incorrect salary or hourly pay rates used to calculate payroll.
- The City Administrator approved the timesheets for an individual who worked part time for the Parks and Recreation Department and part time for the Fire Department. This would be appropriate for the time the employee spent working for the Parks and Recreation Department, but the time spent working for the Fire Department should have been approved by the Fire Chief.
- The City’s handbook states, in part, “unless it is an emergency, all overtime shall be approved in advance by the employee’s Department head or by the City Administrator. Abuse of overtime work may result in disciplinary action, up to and including termination.” We determined the City frequently paid overtime to employees. However, according to the City Administrator, overtime is not approved in advance.
- According to the City Administrator, firemen and paramedics were paid \$6 and \$35 per call, respectively, during fiscal year 2020. However, documentation was not available to demonstrate City Council approval of these rates.

Auditor’s Recommendation – City officials should implement procedures to ensure:

- timesheets are reviewed and approved by the employee’s supervisor. If an individual is employed in more than one Department, the supervisor of each Department should review and approve the individual’s timesheet ensuring the time recorded for their respective Departments is appropriate.

- compliance with the City’s handbook which requires all overtime be approved in advance unless it is an emergency or update requirements in the handbook if City Council deems appropriate. In addition, City officials should implement procedures which provide for review of periodic reports summarizing overtime costs by Council members. The reports should contain sufficient detail to determine the propriety of the overtime incurred.
- the pay rates for firemen and paramedics are approved by the City Council and properly documented.

City’s Response – At the time this shared position was created, the Fire Chief had approved the City Administrator signing the timesheet, as the Fire Chief is a volunteer position, and he has a full-time job which makes it difficult for him to sign a timesheet for the employee. City Administrator has discussed this issue with the Fire Chief and the Mayor and it was decided that as the Mayor was over the fire department, he would review and approve the timesheet for this position, on behalf of the Fire chief. City Administrator will ensure that overtime is approved per the handbook and will take the suggestion of an auditor and change the wording in the handbook. The Mayor currently reviews overtime when he signs payroll checks. The City Administrator will provide a quarterly report to Council for their review of payroll by departments, with overtime included. The Council took action to document the pay rates for firemen and paramedics. Resolution 2020-10 was approved by Council on 3/2/2020 with an effective date of 7/1/2020 establishing the pay rate increase for firemen from \$6 to \$7. Resolution 2022-40 was approved by Council on 6/6/2022 with an effective date of 7/1/2022 establishing a pay rate of \$35 for paramedics. City Administrator submits a resolution to Council every fiscal year to establish all city employees’ rates of pay, with or without merit or cost of living increases. She will ensure that the firemen and the paramedic rates of pay are included on this resolution for approval by Council.

Auditor’s Conclusion – Response accepted.

- 18) **Beer Sales** – The City has given the Park[s] and Recreation Director a license to sell beer at the City Park. Where is that money going to? Where is he getting all the money to do all these events [at] the new amphitheater which needs to be approved by Council?

Auditor’s Response – We obtained a calendar of events sponsored by the Parks and Recreation Department during fiscal year 2020 and scanned City accounting records to ensure collections for the events for which funds were collected were recorded. We also scanned the accounting records for disbursements from the funds maintained for the Department. We did not identify any irregularities.

We reviewed the license issued by the State of Iowa Alcoholic Beverages Division to the City of Mitchellville – Parks and Recreation Department. The license observed was effective from October 10, 2020 through October 9, 2021.

We also reviewed City accounting records which included deposits related to the EMW (Extreme Midget Wrestling) event held at the City Park on October 10, 2020. The proceeds were deposited to the Parks and Recreation Department’s account. However, we were unable to determine if all amounts collected were deposited because controls surrounding the collection and remittance of the proceeds were not sufficiently segregated and sufficient records were not maintained to document collections. Specifically, the Parks and Recreation Director reported he “handled taking payment” at the event for beer sales and had three volunteers serve the beer. He also reported, “The proceeds from the evening were turned into city hall after the event. As far as tracking sales goes we really only totaled up sales at the end of the night we didn’t keep a running total of how many beers we actually sold.”

Auditor’s Recommendation – City officials should implement procedures which ensure sufficient controls are in place for beer sales at future events. Specifically, City officials should consider using tickets for beer sales. By separating the duties of collecting proceeds and issuing tickets from serving beer and collecting a ticket for each beer served, improved segregation of duties is

achieved. In addition, at the end of the day or event, someone independent of collecting funds and serving beer should compare the number of tickets sold to the amount of funds collected. The independent party should also compare the decrease in the inventory of beer on hand to the number of tickets collected. The comparisons should be documented, and the reviewer should sign and date the document. Any significant variances identified as a result of these comparisons should be resolved in a timely manner.

In addition, someone independent of operating the event should compare the collections remitted for deposit to the cost of the beer purchased from the distributor to determine reasonableness of the amount remitted.

City's Response – City Administrator discussed with the Park & Rec Director how to ensure sufficient controls are in place in the future. It was agreed to switch to ticket sales for beer. All funds are currently turned into the City Clerk. The City Clerk, who is not involved in selling beer or collecting funds at the events, will receive the number of tickets sold and the redeemed tickets to compare to the amount of funds collected at the event. This comparison audit will be signed and documented. Park & Rec Director will maintain an inventory of beer on hand and submit that to the City Clerk, who will confirm and document. City Administrator will monitor the collections for beer sales and the cost of the beer purchased to determine reasonableness of the amount remitted.

Auditor's Conclusion – Response accepted.

- 19) **Water Filter** – At the October 4, 2021 City Council meeting, the City Administrator stated the former Public Works Director approved the purchase of a new water filter which cost \$95,000 but it ended up costing close to \$170,000. The City Administrator said this was not approved by the City Council. I spoke to the former Director who said that was not true and that the purchase was approved by the board [sic].

Auditor's Response – We reviewed a proposal submitted to the City by a vendor on August 6, 2020 which described work associated with filter media replacement and repairs for Filter #1. The proposal, which included a quote of \$96,690, was signed by the City Administrator on October 5, 2020. The proposal also included a statement that it may be withdrawn by the vendor if not accepted within sixty days.

Minutes of the October 5, 2020 City Council meeting document the Council unanimously approved purchase “Filter #1 for the Water Plant” but the minutes did not include a purchase price or any further description. The City’s accounting records included a \$125,263 payment to the vendor on September 7, 2021 and a \$48,345 payment on November 1, 2021, for a total of \$173,608. The two payments were included in the listings of bills approved by the City Council on September 7, 2021 and November 1, 2021, respectively. However, we confirmed with the City Administrator the City Council did not approve any change orders or increased estimated costs for the work performed on the filter prior to it being done.

Auditor's Recommendation – City officials should implement procedures to ensure change orders related to projects previously approved by the City Council are prepared and approved prior to the work being performed.

City's Response – City Council approved Resolution 2021-40 on 7/6/2021 adopting a purchasing policy for the city, limiting the amount that department heads can approve and requiring anything outside of budgeted amounts, which includes change orders, to be approved by City Council.

Auditor's Conclusion – Response accepted.

- 20) **Weed Control** – A bill listing specifying a \$6,366.86 payment to Momar for weed control by the Public Works Department is awfully high.

Auditor's Response – We reviewed the invoice for the \$6,366.86 payment to Momar, an industrial solutions vendor. The invoice documents the City purchased a total of 500 pounds of a product named “Weed Away”. The product was sold in 50-pound cans. It was ordered on September 14, 2021 and shipped to the City on September 16, 2021. The documentation for the payment was signed by a member of the Public Works Department and described the purpose of the purchase as sewer plant weed control.

We also confirmed the purchase was included in the listing of bills approved by the City Council on October 4, 2021.

- 21) **Concession Stand** – Where is the money from the concession stand at the ball park going to?

Auditor's Response – Based on the reaudit procedures performed, we determined the concession stand at the City's baseball and softball fields is operated by the Mitchellville Athletic League, a member of the Southeast Polk Little League. The City does not purchase supplies to be used at the concession stand, does not provide staff to operate the stand, and does not receive any of the proceeds from sales at the stand. It is not unusual for a concession stand at a City facility to be operated by a third part vendor or non-profit organization.

The City established an agreement with the Mitchellville Athletic League which is effective from January 1, 2021 through December 31, 2023. The agreement includes various terms, such as maintenance responsibilities and use of the facilities. However, the agreement does not document who is responsible for the purchase of supplies for the concession stand, staffing and operations of the stand, and how proceeds from the stand are to be distributed.

Auditor's Recommendation – City officials should establish a contract or other appropriate agreement, which is approved by the City Council, to document who is responsible for the purchase of supplies for the concession stand, staffing, and how the proceeds are to be distributed.

City's Response – The City will establish a separate agreement, to be approved by City Council, for the governance of the concession stand. This agreement will include purchasing of supplies, staffing and how the proceeds are distributed.

Auditor's Conclusion – Response accepted.

- 22) **Disbursements** – During our testing we identified two reimbursements to the City Administrator which were not approved by the City Council. Specifically, the City Administrator purchased a thermometer and sanitizing bottles totaling \$45.61 from Amazon in March 2020 with her personal credit card. The City Administrator explained the purchases were for use at City Hall but were delivered to her home because City Hall was closed due to the COVID pandemic.

Auditor's Recommendation – All disbursements should be approved by the City Council prior to disbursements with the exception of those specifically allowed by City policy.

City's Response – City Administrator will review the financial reports presented to Council to ensure that all disbursements are included.

Auditor's Conclusion – Response acknowledged. In order to maximize oversight and improve internal controls, the reports presented to Council for approval should also be reviewed by an additional individual when the listing being presented includes payments to the City Administrator.

City of Mitchellville

Staff

This reaudit was performed by:

Lesley R. Geary, CPA, Manager
Brett S. Gillen, CPA, Senior Auditor II
Molly N. Kalkwarf, Senior Auditor

A handwritten signature in black ink that reads "Annette K. Campbell". The signature is written in a cursive style with a large, looped initial "A".

Annette K. Campbell, CPA
Chief Deputy Auditor of State