

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Jim Cunningham
515/281-5834

FOR RELEASE

June 5, 2024

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Lorimor, Iowa, for the period August 1, 2021 through July 31, 2022. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported twenty-six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 17 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank and utility reconciliations, disbursements exceeding budgeted amounts, funds with deficit balances and missing equipment. Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

CITY OF LORIMOR

**AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
AUGUST 1, 2021 THROUGH JULY 31, 2022**

City of Lorimor



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Rob Sand
Auditor of State

May 29, 2024

Officials of the City of Lorimor
Lorimor, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Lorimor, Iowa, for the period July 1, 2022 through June 30, 2023. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Lorimor throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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City of Lorimor

Officials

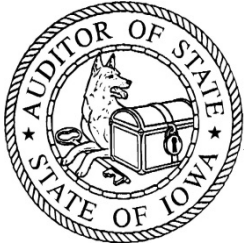
(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Sly	Mayor	Jan 2022
Samantha Berch	Council Member	Jan 2022
Kendra VanderMartin	Council Member	Jan 2022
Merill Cornelison	Council Member	Jan 2024
Jack Kilpatrick	Council Member	Jan 2024
Suzzie Weibel	Council Member	Jan 2024
Doris Loy	City Clerk/Treasurer	Indefinite
Gil Caldwell	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim O'Neil	Mayor	Jan 2026
Merrill Cornelison (Left in Apr 2022)	Mayor Pro Tem	Jan 2024
Jack Kilpatrick	Council Member	Jan 2024
Suzzie Weibel	Council Member	Jan 2024
Jody King (Elected Jul 2022)	Council Member	Jan 2024
Matthew Lenhart	Council Member	Jan 2026
Karen Tucker	Council Member	Jan 2026
Doris Loy (Left in Aug 2022)	City Clerk/Treasurer	Indefinite
Amanda Ritchie (Started in Nov 2022)	City Clerk/Treasurer	Indefinite
Gil Caldwell	Attorney	Indefinite

City of Lorimor



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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Lorimor for the period August 1, 2021 through July 31, 2022, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Lorimor's, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Lorimor's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2022 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Lorimor's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Lorimor and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lorimor during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read 'J. Cunningham', with a long horizontal flourish extending to the right.

James S. Cunningham, CPA
Chief Deputy Auditor of State

May 29, 2024

Detailed Findings and Recommendations

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling petty cash, collecting, depositing, reconciling and recording.
- (2) Investments – custody of investments and recording. Also, no one independent is confirming investments.
- (3) Long-term debt – maintains long-term debt records and handling and recording cash.
- (4) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording. The same individual also has access to cash and credit cards.
- (6) Payroll – recordkeeping, preparing and distributing. Also, enters payroll rates into the accounting system.
- (7) Utilities – maintains accounts receivable records, collects, records, and enters utility rates into the utility billing system.
- (8) Journal entries are not reviewed and approved by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) City Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, pre-numbered receipts are not issued, paid invoices or other supporting documentation are not properly cancelled, and accounting records did not facilitate the proper classification of receipts or disbursements.

Recommendation – The Fire Department should segregate accounting duties to the extent possible, require the issuance of pre-numbered receipts for all collections, cancel invoices or other supporting documentation and properly classify receipts and disbursements in the accounting records.

(C) Bank Reconciliations – The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, the bank balance exceeded the book balance by \$12,100 and \$7,336 respectively.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly. Also, the City lacked the records to prepare a utility reconciliation for the month of June 2022.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

Also, the City should maintain adequate utility records so that a monthly utility reconciliation could be prepared.

- (E) Monthly City Treasurer’s Report – The City is not preparing a monthly City Treasurer’s report.

Recommendation – The City should establish procedures to ensure monthly City Treasurer’s reports are prepared and provided to the City Council and mayor every month.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. For four of the four meeting minutes tested, there was no evidence available that the meeting minutes were ever published.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required. The City should then maintain documentation that those minutes were published. Those published minutes should include a listing of all disbursements approved by the City Council at that meeting, a total of disbursements for each fund of the City, a summary of all receipts, and a summary of all ordinances or amendments adopted.

- (G) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety, public works, culture and recreation, and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Also, Chapter 384.16(3) of the Code of Iowa requires cities to publish notice of a public hearing on the budget not less than nor more than twenty days before hearing in a newspaper published at least once weekly and having general circulation in the City.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Also, the City should publish notice of a public hearing on the budget in accordance with Chapter 384.16(3) of the Code of Iowa. The City should then maintain documentation that this was done.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

- (H) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City Fire Department maintains a bank account for activity separate from the City Clerk’s accounting records. While this Department is part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports. In addition, the transactions and resulting balance of this account was not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council. Also, a summary of the account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department separate account should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in this account should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of the account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (I) Financial Condition – The following funds of the City have a deficit balance as of June 30, 2022: the General Fund has a deficit balance of \$237,066, the Fire Fund has a deficit balance of \$26,035, the Road Use Tax Fund has a deficit balance of \$17,188, the Employee Benefits Fund has a deficit balance of \$2,681 and the Debt Service Fund has a deficit balance of \$60,739.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

- (J) Property Taxes – Of the twelve property tax receipts tested, four were incorrectly coded to source codes other than property tax, and two other receipts could not be traced to the general ledger. Also, the City received 44% more in property tax receipts than what was budgeted for in fiscal year 2022.

Recommendation – The City should develop policies and procedures to ensure that property taxes are recorded properly. Also, the City should consider reviewing their current property tax levy to ensure that it is at a necessary level.

- (K) Restrictive Endorsement – Checks are not restrictively endorsed immediately after they are received by the City Clerk.

Recommendation – The City should develop policies and procedures to ensure that checks received by the City are restrictively endorsed immediately upon receipt.

- (L) Voided Receipts – Reports of voided receipts are not periodically prepared and voided receipts are not independently reviewed.

Recommendation – The City should develop policies and procedures to ensure that reports of voided receipts are periodically prepared and that voided receipts are independently reviewed.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

- (M) Advance Check Signing – Some checks are signed in advance of being approved by the City Council.

Recommendation – The City should develop policies and procedures to ensure that checks are not signed until they are approved by the City Council. If there are bills that need to be paid before City Council can approve the payment, the City Council should approve a resolution stating what bills can be paid in advance of approval.

- (N) Compensated Absences – There are no procedures in place for the proper recording of vacation, sick leave, and compensated time off.

Recommendation – The City should develop policies and procedures to ensure that vacation, sick leave, and comp time are being accurately recorded.

- (O) Financial Reporting – The City’s accounting records for total receipts and disbursements do not agree to the amounts reported on the fiscal year 2022 Annual Financial Report. Also, there are no procedures in place to ensure that all financial reports for the City are filed timely.

Recommendation – The City should develop policies and procedures to ensure that all financial reports of the City accurately report the financial condition of the City and that those financial reports are filed timely.

- (P) Custody of Payroll Warrants – Per discussion with the City Clerk, some payroll warrants are left on the desk of the employee to pick up, rather than kept in a secure location before being distributed.

Recommendation – The City should develop policies and procedures to ensure that undistributed payroll warrants are kept in a secure location before being distributed.

- (Q) Approved Wage Rates – There was no documentation of an approved wage for one employee. Also, wage increases in the City Council minutes are stated as a dollar increase rather than stating the new approved wage.

Recommendation – The City should maintain documentation of approved wages. Also, the City should document the new approved wage for an employee in the City Council minutes, rather than stating the wage increase.

- (R) Disbursements – During our exam, we noted the following issues related to disbursements:

- For thirty-eight of forty disbursements tested, the auditor could not verify that the disbursement was approved by the City Council.
- For two of forty disbursements tested, there was no supporting documentation available, or the supporting documentation provided was not complete. Due to a lack of support, auditor also could not verify if the transactions met the test of public purpose. The total amount of the unsupported transactions is \$1,909.90.

Recommendation – The City should document in the City Council minutes which disbursements were approved at that meeting. Also, the City should develop policies and procedures to maintain supporting documentation for disbursements.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

(S) Debit Card – The Lorimor Fire Department has a debit card available for use.

Recommendation – The Lorimor Fire Department should discontinue the use of debit cards. Debit cards provide immediate access to the Fire Department’s funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no prior approval of purchases made with a debit card.

(T) Fire Department Disbursements – During our exam, we noted the following issues related to disbursements of the fire department:

- For six of seven disbursements tested, the auditor could not verify that the disbursement was approved by the City Council.
- For four of seven disbursements tested, there was no supporting documentation available, or the supporting documentation provided was not complete. Due to a lack of support, auditor also could not verify if the transactions met the test of public purpose.

Recommendation – The City should document in the City Council minutes which disbursements were approved at that meeting. Also, the City should develop policies and procedures to maintain supporting documentation for disbursements.

(U) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion date April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined by the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Amazon	Sales tax	\$7.00

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

(V) Utility Billings – During our exam, we noted the following issues related to utility billings:

- The rate approved by the City Council for gas service is not being properly applied. Per Chapter 110.02 of the City of Lorimor’s Code of Ordinances, “The rates for gas service shall be as follows: (1) Minimum meter charge. \$11.70. (2) Firm Gas Service. Standard uninterruptible gas service shall be available in accordance with Section 110.03, Rate of Adjustment for Cost of Purchased Gas. The total charge per customer is \$12.20. However, the City is charging customers \$1.60 per unit over the above approved rate for price of purchased gas.
- For one of eleven utility accounts tested, the City’s records showed that the customer had been marked paid for the amount billed. However, the auditor was unable to trace that payment to the City’s bank account. The amount of the undeposited utility payment totaled \$156.94.
- One customer tested changed residences during the period. For the month in which the customer moved, the owner of the property during the first part of the month was charged for a portion of the utility services for that month, and the new customer was billed for the remainder. However, when this was done, the combined sewer and garbage billings for the property was more than the approved rates. The total amount overcharged to the property for the month for this error was \$1.72. Also, for this new customer the billing report shows consumption of gas took place but was not charged. For gas, the minimum fee of \$11.70 was charged to both customers, and gas usage of \$14.70 should have been charged but was not. The second customer then was undercharged \$3 when you net those two mistakes.
- One customer was being charged for two garbage when the customer only had one garbage can. Total amount overcharged was \$28.50.

Recommendation – The City should charge the utility rates that have been approved by the City Council and the City should consult legal counsel to determine the disposition of the overcharging of utility billings to determine if any customers owe are due. The City should maintain records showing that customer payments have been deposited in the City’s bank account. The City should charge the correct rates when a customer moves in a billing period. The City should charge for utility services provided, and not charge for services that are not being provided.

(W) Health Insurance – At the January 3, 2022 City Council meeting, the City Council approved offering a single health insurance plan to all employees of the City. However, per review of the City’s health insurance invoices, City employees were provided vision and dental insurance as well as health insurance. There is no documentation available to show that the City Council approved vision and dental insurance coverage for their employees. Furthermore, only the former City Clerk elected vision and dental insurance. As a result, \$76.68 was improperly paid for vision insurance and \$233.94 was improperly paid for dental insurance during the period of the examination.

Recommendation – The City should only provide benefits to employees that were specifically approved by the City Council. The City should document what benefits will and will not be provided to employees. The benefits should be approved by the City Council and be included in the Employee Handbook. The City should work with legal counsel and the former City Clerk to recover the improperly paid benefits.

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

- (X) Overtime – The City’s Employee Handbook’s includes a section on overtime. The January 2016 Employee Handbook states that “All time worked over 40 hours will be paid at 1 ½ (one and one-half) time base.” The City’s employee handbook was revised in August 2021 to state overtime is considered “All time worked over 80 hours will be paid at 1 ½ (one and one-half) time base.” Because there were concerns Ms. Loy was paid for overtime when she did not meet the requirements for overtime as included in the Employee Handbook’s, we obtained payroll history reports and timesheets for Ms. Loy for the period of July 2019 through August 2022. The payroll history reports show Ms. Loy received 80 checks for the period July 2019 through August 2022.

Of the 80 checks issued, 78 include overtime hours ranging from 0.06 hours to 23.07 hours. We reviewed the 78 checks and identified 21 checks included overtime hours during a week/pay period where Ms. Loy also recorded vacation, sick leave, or holiday pay. According to the Employee Handbook, overtime is for hours worked. As a result, Ms. Loy should not have been paid overtime for the 23.07 hours. Because Ms. Loy worked these hours, the hours should have been paid at her normal hourly rate.

For these 21 instances, Ms. Loy was paid \$977.77 of gross pay for the overtime hours which did not meet the City’s policies for overtime. In addition, the City incurred an additional \$74.80 of FICA and \$92.30 of IPERS which is also considered improper.

Recommendation – The City should develop policies and procedures for approving overtime in advance. The City Council should also review payroll reports and timesheets for the City employees before approving payroll. The City should work with legal counsel and the former City Clerk to recover the \$986.52 of improperly paid overtime and the improper \$74.80 of FICA and \$92.30 of IPERS incurred by the City as a Result of the overtime.

- (Y) Employee Handbook – On August 10, 2022, the former City Clerk, Doris Loy’s employment was terminated. The City later received a claim for unpaid vacation, personal leave, and sick leave balances totaling \$5,612.70. The claim included a copy of the City’s employee handbook which stated that the total amount of these balances would be paid out to any employee upon termination of employment. According to City officials, these changes to the City Handbook were never approved by the City Council.

According to a letter from Ms. Loy she had accrued 160 hours of vacation, 39.75 hours of personal time and 74.04 hours of sick leave. Ms. Loy also included a copy of a receipt acknowledging she had been provided a copy of the handbook signed on September 2019 which include the language” replaces any and all prior, verbal or written communications regarding working conditions, polices, procedures, appeal processes, and benefits.” Ms. Loy also included several pages from a handbook. These pages include the following related to vacation and sick leave.

- “Vacation and Paid Holidays – Vacation time must be requested at least 10 days prior to start of vacation and approved by the City Clerk and mayor. If an employee is terminated or leaves employment vacation time shall be paid out to the employee what they have earned.”
- Sick Leave and Absences – “Full time employees: half day per month (4 hours) will be earned and an accumulation of not more than 20 days can be carried over. If an employee is terminated or leaves employment, sick /personal time shall be paid out to employees what they have earned,”

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

The handbook pages provided by Ms. Loy do not include a date. However, City officials included a screenshot of a computer file showing the following “Employee Handbook 2021 – updated 02”. The screenshot also shows a date modified of 7/25/2022 12:40pm.”

As noted above, City officials indicated these changes were never approved. As a result, we reviewed the Employee Handbook modified in January 2016 and August 2021. City officials could not locate any other handbooks in City Hall.

The January 2016 Employee Handbook includes a section for Vacation pay for full time employees. The number of weeks is based on the number of years of service.

Vacation and Paid Holidays

Vacation pay for full time employees will be as follows:

From the employees' anniversary date of employment

- After one year – one week vacation
- After three years – two weeks vacation
- After five years – three weeks vacation

Sick Leave and Absences – Full Time Employees: half day per month (4 hours) will be earned and an accumulation of not more than 20 days can be carried over.

Accumulated sick leave will have no payback to employees upon termination, death or just cause.

Each year's earned sick leave of 6 (six) days may be used as follows:

- a) Own illness, up to accumulated days.
- b) Personal leave, whatever purpose, 2 days per year.

The handbook is silent as to vacation balances being paid out at the time an employee leaves employment with the City. As noted in the handbook, it prohibits any accumulated sick leave from being paid at the time of termination.

Per review of the City's Council meeting minutes, there were changes to the City's employee handbook approved during the September 9, 2019 meeting. However, the minutes did not detail the change to the Handbook,

City officials also provided us a copy of the Handbook revised in August 2021. The handbook includes the following related to vacation and sick leave:

Vacation pay for full time employees will be as follows:

From the employees' anniversary date of employment

- After one year – one week vacation
- After three years – two weeks vacation
- After five years – three weeks vacation

City of Lorimor

Detailed Findings and Recommendations

For the period August 1, 2021 through July 31, 2022

Sick Leave and Absences – Full Time Employees: half day per month (4 hours) will be earned and an accumulation of not more than 20 days and be carried over.

Each year’s earned sick leave of 6 (six) days may be used as follows:

- a) Own illness, up to accumulated days.
- b) Personal leave, whatever purpose, 2 days per year.

The August 2021 Handbook is silent regarding paying out of vacation, sick leave, and personal days. The August 2021 Handbook removed the clause stating, “accumulated sick leave will have no payback to employees upon termination, death or just cause.”

We reviewed the City Council minutes provided to us from August 2021 until July 2022. We noted no instances where the employee handbook was discussed, or actions taken related to the vacation or sick leave policy. We did note during the September 27, 2021 meeting, a change to the purchasing policy was approved.

Based on the information available, there is no evidence the City Council approved the changes to the City’s employee handbook allowing for the payout of vacation, personal leave, and sick leave upon an employee’s termination were approved by the City Council or not.

According to the final check issued to Ms. Loy for her remaining balances totaling \$ 3,016.75, the City paid out:

- 40 hours of vacation = \$820.00
- 74.28 hours of sick leave = 1,522.74
- 32.88 hours of Personal time = 674.04

When we compare the time recorded in the City system there is not vacation hours used, but the system shows 31.12 hours of personal time. This calculates to within 1.47 hours of our calculation of hours used based on the payroll journal.

As a result, Ms. Loy should have only been paid out for 127.41 hours of vacation \$20.50/hour for a total of \$2,611.91. The City issued Ms. Loy check number 14273 on 8/20/22 for gross pay of \$3,016.78. Comparing what she should have received to what the City actually paid, Ms. Loy was overpaid \$404.87 of gross pay.

Recommendation – The City should document what specific changes are being made to the employee handbook when approving an employee handbook. The City should also consult legal and to recover the \$404.87 Ms. Loy was overpaid.

- (Z) Missing Equipment – The City of Lorimor applied for and received a grant through the Iowa Office of the Chief Information Officer (OCIO) for computer equipment. As a result of the grant, the City was received eight computers and one webcam, which the City confirmed they had received on December 22, 2021, per discussion with OCIO. Per discussion with the Mayor and current City Clerk, the City only has six computers and one webcam in their possession, and they do not know the location of the other two computers. Per the supporting documentation provided by OCIO, the total value of the two missing laptops is \$2,766.11.

Recommendation – The City should work with legal counsel and the former City Clerk to recover the laptops.

City of Lorimor

Staff

This engagement was performed by:

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