



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
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FOR RELEASE

July 31, 2024

Auditor of State Rob Sand today released a reaudit report on the City of West Okoboji for the period August 1, 2019, through June 30, 2023. The reaudit petition was submitted to the Office of Auditor of State pursuant to Section 11.6(4)(a)(2) of the *Code of Iowa*.

The reaudit was requested as a result of concerns with the former City Clerk including unpaid utilities bills, improper use of the City's credit card and payroll and reimbursements during the period August 1, 2019, through June 2023.

Sand reported that the former City Administrator, Derrick Miner had an unpaid utility balance of \$1,476.00 for the period of this review. In addition, Sand reported a \$19.60 improper charge on the City's credit card for the purchase of alcohol and \$11,092.19 of unsupported charges on the City's credit card. The unsupported charges included but were not limited to charges at Walmart, gas stations, and restaurants. We did not identify any issues with Mr. Miner's payroll. However, Mr. Miner received 2 unsupported reimbursement checks totaling \$551.78.

The report includes recommendations to strengthen the City's internal controls and operations, such as enforcing the segregation of duties and implementing policies and procedures that would allow employees to get approve prior to the used of City's credit card and maintaining support of credit card transactions made by individuals in charge of City Credit Cards.

The City responded favorably to the recommendations included in the reaudit report. A copy of the reaudit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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CITY OF WEST OKOBOJI
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
AUGUST 1, 2019, THROUGH JUNE 30, 2023

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City of West Okoboji

Officials

(Fiscal Year 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barbara Lynch	Mayor	December 2019
Mike Paxton	Council Member/Mayor Pro Tem	December 2021
Marcia Petersen	Council Member	December 2019
Robert Hein	Council Member	December 2021
Mike Olson	Council Member	December 2019
Paul Sieh	Council Member	December 2019
Derrick Miners	City Administrator/Clerk	Hired Aug 2019
David Stein Jr.	City Attorney	December 2019

(Fiscal Year 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Miner	Mayor	December 2023
Mike Paxton	Council Member/Mayor Pro Tem	December 2025
Paul Sieh	Council Member	December 2023
Robert Hein	Council Member	December 2023
Darlene Powers	Council Member	December 2025
Mike Olson	Council Member	December 2023
Carol Chicoine	City Administrator/Clerk	Hired August 2023
David Stein Jr.	City Attorney	Hired December 2023



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Rob Sand
Auditor of State

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 West Okoboji in accordance with Section 11.6(4)(a)(2) of the *Code of Iowa*. The reaudit was requested as a result of concerns regarding certain financial transactions processed by the former City Administrator. The City's management is responsible for the financial transactions of the City. Based on discussions with City official and a review of the preliminary information available, we performed the following procedures for the period August 1, 2019, through June 30, 2023.

1. Evaluated internal controls resalted to payroll, reimbursements, and credit cards to determine whether there were adequate policies and procedures in place and operating effectively.
2. Reviewed compensation and reimbursements to the former City Administrator (Derrick Miner) to determine propriety of the payments.
3. Reviewed reimbursements issued to former City administrator to determine propriety, proper approval and to determine compliance with City policies.
4. Reviewed reimbursements for clothing to determine if appropriate, approved by the City Council and compliance with the City's Employee Handbook.
5. Reviewed credit card charges to determine propriety, proper approval and to determine compliance with City policies.
6. Reviewed utility billings and payments received for the former City Administrator.

Based on the performance of these procedures, we determined the former City administrator had an unpaid utility balance totaling \$1,476.00. In addition, we identified an improper charge of \$19.60 for the purchase of alcohol and \$11,092.19 of unsupported charges on the City's credit card. In addition, we identified \$551.78 of unsupported reimbursements to the former City Administrator.

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 City, 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.

A handwritten signature in black ink that reads "Rob Sand".

ROB SAND
Auditor of State

July 22, 2024

City of West Okoboji

For the Period August 1, 2019, through June 30, 2023

Background Information

We received a request to perform a reaudit of the City of West Okoboji in accordance with Section 11.6(4)(a)(2) of the *Code of Iowa* for the period June 30, 2023. The request detailed specific concerns, including:

- The former City Administrator had unpaid utility bills in the amount of \$1,476.00.
- An improper alcohol purchase was made using the City’s Credit Card.
- The former City Administrator’s (Derrick Miner) issued himself extra checks.
- Purchases on the City’s credit card were not supported by receipts.

As a result of the request and review of the concerns, we determined it was necessary to perform reaudit procedures for the concerns identified. The reaudit procedures were performed for the period August 1, 2019, through June 30, 2023.

Except as included in this report, no additional findings were identified related to the specific concerns presented with the reaudit request. 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.

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.

Concerns and Auditor’s Responses

- (A) **Unpaid Utility Bills** – City officials determined the former City Administrator, Derrick Miner, has unpaid utility bills totaling \$1,476.00.

Auditor’s Response – According to the current City Clerk, the former City Administrator, “Derrick Miner rented a place at 1410 4th Street from Charles Holmes/Rynn Lamb.” Based on a copy of the lease proved to us, Mr. Miner’s lease states “The Tenant shall be responsible for following utilities and services incurred during residency: Electricity, Gas/Heat, Internet/Cable, Water, and Garbage/Recycling.” The term of the lease was for 12 months beginning on October 1, 2021, thereafter it was a month-to-month lease. The City bills utilities on a quarterly basis.

We requested the utility history report for 1410 4th Street. The report does not list Mr. Miner as the owner of the property. As stated previously, Mr. Miner was the tenant and was responsible for the utility services. Based on the utility report there was an outstanding utility balance of \$1,476.00 as of May 3, 2023. On September 1, 2023, the City posted a charge for \$246.00 bringing the outstanding balance to \$1,722.00. On October 25, 2023, the owners made a payment of \$532.62. According to City officials, the \$532.62 payment was for the period after Mr. Miner was no longer the tenant.

Recommendation – Procedures should be established to ensure utility billings are reconciled to subsequent collections and delinquent accounts for each billing period. The City Council, or an independent individual designated by the City Council, should review the reconciliations and

monitor delinquencies. Delinquent accounts should not be written off without City Council approval.

Response – City does have a billing process on how to follow through with the billing process. Bills are due 20 days after billing is generated. If account owner does not pay by the due date, the next day penalty is assessed, and disconnection noticed is sent out for 12 days later. If bill is not paid by then the account is disconnected. Aged accounts are looked at monthly. Accounts that are 30 days past due without a payment agreement, the process of collecting by sending out a 30-day lien notification for collections. City Council will annually review delinquent accounts to move to bad debt and/or write off if necessary.

Conclusion – Response accepted.

- (B) **Use of City Credit Cards** – The petitioners noted the former City Administrator made an improper purchase of \$19.60 using the City’s credit card and credit card charges were not always supported by adequate documentation.

Auditor’s Response – We requested the City’s credit card statements and supporting documentation for the period August 1, 2019, through June 30, 2023. Using the supporting documentation available from the City’s records; information obtained from selected vendors; internet searches; discussions with City officials; the vendors, frequency, and amount of the payments; and approved disbursement listings, we classified payments as improper, unsupported, or reasonable.

Disbursements were classified as improper if they were personal in nature or not necessary or reasonable for the City’s operations. Disbursements were classified as unsupported if appropriate documentation was not available or it was not possible to determine if disbursements were related to City operations. Other disbursements were classified as reasonable based on supporting documentation or discussions with City personnel and/or frequency and amount of the payments if sufficient supporting documentation was not available. Based on the information provided by the City we identified the following.

- April 19, 2023 – A charge at “BRIGHT GRANDVIEW GOLF DES MOINES” for \$19.60. The receipt provided by the City shows it was for the purchase of alcohol. As a result, the \$19.60 charge for the purchase of alcohol is considered improper.
- Unsupported charges totaling \$11,092.19. The unsupported charges included but were not limited to charges at Walmart, gas stations, restaurants, and hotels. In some cases, the charges at restaurants and hotels were around the same time as conferences were being held which a City employee may have attended. However, because supporting documentation was not available, it was not possible to determine if the charges were personal in nature or related to City operations.

Recommendation – City officials should ensure all credit card purchases are supported by appropriate receipts, invoices, or other supporting documentation which should be attached to the monthly credit card statement during reconciliation. Also, payments should be remitted in a timely manner to ensure late fees are not incurred. In addition, a timely review of the credit card statements by an independent person should be conducted and the date and initials of the review should be documented on the statement.

Response – City Administrator has custody of City Credit card. Credit card policy has been approved by council for use of city credit card Resolution 2024-14 approved 3-11-24. All credit card charges must have documentation to justify charge. Itemize receipts are required. Credit Card bill is submitted to Mayor or council person to be reviewed and approved and signed off for approval monthly.

Conclusion – Response accepted.

(C) **Payroll and Reimbursements** – The petitioners also had concerns regarding Mr. Miners payroll and reimbursement checks.

Auditor’s Response – We requested copies of all payroll journals, reimbursement checks issued to Mr. Miner for the period August 1, 2019, through June 30, 2023. We also requested the City council minutes, the employee handbook, and any documents submitted as part of a request for reimbursement. Based on the review of available information we determined

- Mr. Miner received a semiannual clothing allowance in accordance with the City’s handbook. According to the City Handbook chapter 11.2 “All full-time and exempt employees are entitled to a bi-annual clothing allowance of \$250.00 payable July 15th and December 15th of each fiscal year.”
- According to City officials all employees are paid by ACH. On November 11, 2022 Mr. Miner was paid by check instead of ACH. The amount of the check agreed to his semi-monthly payroll check. According to the City clerk the staff were paid by check on this date as there was a problem with the ACH payments.
- Mr. Miner received two reimbursement checks for the period of our review. Check #9584 for \$284.09 issued on December 13, 2019, and Check #10420 for \$267.69 issued on May 12, 2023. According to the memo included in the City’s accounting system, both checks were for mileage. The City was unable to locate any documentation which included the number of miles, destination, or the purpose of the trip. City officials stated Mr. Miner was allowed to be reimbursed for City expense related to City operations including travel. Because City officials could not locate supporting documentation, we cannot determine if the reimbursements were personal in nature or for City operations. As a result, the two checks totaling \$551.78 are considered unsupported disbursements.

Recommendation – City officials should develop policies and procedures requiring supporting documentation for all reimbursements. The policy should include mileage reimbursement rates, limits on meals and lodging and requiring original, itemized receipts for all disbursements and reimbursements.

Response – There will be no reimbursements approved or issued without proper documentation. Mileage sheets are required with date, miles and purpose for reimbursement of personal vehicle for city business. All training reimbursement requires original itemized receipts to be reimbursed per policy 11.1 Expense/Travel Allowance in Employee Handbook.

Conclusion – Response accepted.

City of West Okoboji

Staff

This reaudit was performed by:

Julius O. Cooper, Staff Auditor

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

James S. Cunningham, CPA
Chief Deputy Auditor of State