



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact: David A. Vaudt
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE August 2, 2007

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Riverdale for the period July 1, 2002 through June 30, 2005. The special investigation also covered selected transactions for the fiscal years ended June 30, 2001, June 30, 2002 and June 30, 2006. The special investigation was performed as a result of concerns brought forth by a group of citizens and was conducted in accordance with section 11.36(3) of the *Code of Iowa*.

Vaudt reported several findings, including:

- The Fire Department maintained savings and checking accounts separate from other City accounts. The accounts were maintained by the Fire Chief and disbursements from the checking account were not properly supported. In addition, certain funds deposited to the checking account should have been deposited to the City's General Fund.
- The City's General Fund balance at June 30, 2006 exceeded \$1.1 million while disbursements from the General Fund totaled less than \$250,000 during the year.
- The City does not have a written policy and procedures manual or an inventory of equipment.

A copy of the special investigation report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

###

**SPECIAL INVESTIGATION OF THE
CITY OF RIVERDALE**

**FOR THE PERIOD
JULY 1, 2002 THROUGH JUNE 30, 2005**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3
Investigative Summary:	
Background Information	4-5
Detailed Findings and Recommendations	5-14
Schedule:	<u>Schedule</u>
Payments Made by the City to Floyd Bruns	1 15
Staff	16



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of concerns brought forth by a group of citizens regarding the City of Riverdale, we conducted a special investigation of the City of Riverdale. We have reviewed citizen concerns and applied certain tests and procedures to certain transactions and records of the City of Riverdale for the period July 1, 2002 through June 30, 2005, or as otherwise noted. We performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate procedures were in place and operating effectively.
- (2) Examined receipt and disbursement activity in the separate "Riverdale Fire Fund" checking and savings accounts maintained by the Fire Department and analyzed deposits to and disbursements from the accounts for the period January 1, 2000 to September 30, 2006 to identify any unusual transactions.
- (3) Obtained original invoices issued by Bruns Electric, when available, to compare against reimbursement payments issued from the City to Bruns Electric for the purchase of supplies and equipment.
- (4) Examined all non-payroll disbursements from the City's General Fund for the period July 1, 2002 through June 30, 2005 and selected disbursements for the fiscal years ended June 30, 2001, June 30, 2002 and June 30, 2006 to determine if the payments were approved, properly supported and for appropriate purposes.
- (5) Reviewed certain concerns brought to our attention by citizens and determined the City's compliance with applicable laws and regulations related to the concerns.

Based on these procedures, we developed several recommendations for the City. Our recommendations are described in the Detailed Findings and Recommendations section of this report.

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

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the City of Riverdale during the course of our investigation.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 9, 2007

City of Riverdale

Investigative Summary

Background Information

The City of Riverdale, located in Scott County, Iowa, is a community of approximately 650 residents. The City is governed by a 5 member City Council which holds regular meetings the first and third Tuesday of each month.

At a City Council meeting held on April 6, 2004, a concerned citizen verbally requested certain records of the City's volunteer Fire Department. The City did not provide the records requested. Citizens made several subsequent verbal and written requests for records which were not provided. As a result, a group of citizens filed a lawsuit against the City on April 13, 2005 alleging violations of Iowa's Open Records Act pursuant to Chapter 22 of the *Code of Iowa*. In a court ruling dated October 26, 2006, the City of Riverdale was cited for numerous violations of Chapter 22 of the *Code*. The Court found the City guilty of failure to provide requested public records for inspection and copy and ordered the City to make the requested records available. In addition, the City was ordered to pay attorney's fees and litigation costs totaling \$27,421.65.

In May 2006, the citizens group contacted the Office of Auditor of State with specific concerns related to certain City transactions. After reviewing documentation provided by the citizens and pursuant to section 11.36(3) of the *Code of Iowa*, we notified the City on July 10, 2006 we would be conducting certain procedures to address the concerns brought to our attention. Section 11.36(3) of the *Code* provides when, in the Auditor of State's judgment, the Auditor finds sufficient information is available to demonstrate an entity receiving state or federal funds from the State may not have substantially complied with the laws, rules, regulations and contractual agreements governing those funds, the Auditor of State is authorized to determine whether the entity has substantially complied with those requirements.

To determine the City's compliance, we performed the procedures detailed in the Auditor of State's Report. Based on those procedures, we developed several recommendations for the City. Our recommendations are described in the Detailed Findings and Recommendations section of this report.

Some of the citizens' concerns addressed in this report are summarized as follows:

- Reimbursements from the City to Bruns Electric, a business owned and operated by the City's Fire Chief, Floyd Bruns, for supplies and equipment purchased on behalf of the City and Fire Department,
- Reimbursements to Fire Department volunteers for travel and training expenses which included alcohol and in-room hotel movies,
- Payments from the City's General Fund which included sales tax,
- Activity from a checking account held for the Fire Department in the name of the "Riverdale Fire Fund" (Fire Fund) which was maintained separate from other City accounts,
- Lack of an inventory of City-owned property and equipment,
- Delivery of Fire Department equipment and supplies to the Fire Chief's personal residence and place of employment, and
- Use of the Fire Department's membership at Sam's Club for personal purposes.

The citizens also identified concerns for which we performed procedures not resulting in a finding or recommendation to the City. These concerns included, but were not limited to:

- Bids taken by the City to purchase and install park and playground equipment,
- The purchase of a new fire apparatus,
- Payments for protective fire vests,
- Disbursements prior to July 1, 2002,
- Alterations to the City's special use permit by the City Clerk's office, and
- Hiring relatives of City officials to gather records for citizens in accordance with the Court order.

We were unable to determine the propriety of several of these concerns because a significant amount of time had lapsed since the transactions occurred. Some transactions identified by the citizens occurred 10 to 15 years ago, such as grants received by the Fire Department in the mid 1990's and other deposits recorded in the check register of the Fire Department's checking account. Because of the age of the transactions, adequate documentation was not readily available for review. Also, for some concerns, appropriate documentation did not exist. For example, we were not able to review the City's and Fire Department's fixed asset records because none had ever been prepared.

The concerns identified by the citizens included accusations of libelous and slanderous acts, as well as instances of alleged harassment. We did not address concerns of this nature because they are not considered to be issues for investigation by our office.

Detailed Findings and Recommendations

(A) Policy and Procedures Manual – The City does not have a written policy and procedures manual. Standardized procedures are necessary to adequately safeguard and account for City funds and other resources.

We reviewed numerous citizen concerns for which the City should have written policies and procedures to ensure matters are handled appropriately. Specifically, the City did not have any written procedures regarding:

- records retention,
- training and tuition reimbursement (including requirements for eligibility),
- travel (including guidelines for mileage and meal reimbursements),
- other employee reimbursements,
- use of City's credit card,
- personal use of City equipment (such as phones, fax machines, lawn equipment and vehicles),
- disposal of equipment,
- delivery of supplies and equipment outside normal business hours,
- uniforms, and
- residence requirements for City employees, including volunteer firefighters.

Because the City does not have a written policy and procedures manual, City officials have not established specific written guidelines to consistently apply when making decisions related to City disbursements and operations.

Recommendation – A written policy and procedures manual should be developed and approved by the Council. The manual should include policies and procedures for basic City operations, such as preparation and oversight of deposits and disbursements, financial reports, personnel policies and maintenance operations. In addition, written policies should be prepared and approved by the Council for the areas specified. A comprehensive policy and procedures manual will provide the following benefits:

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

Compliance with the established procedures should be monitored by City officials.

(B) Disbursements from City's General Fund – We reviewed all City disbursements for propriety for the period July 1, 2002 through June 30, 2005 and selected disbursements for the fiscal years ended June 30, 2001, June 30, 2002 and June 30, 2006. Our findings have been separated into 4 categories and are summarized below:

1) Payments to Bruns Electric and Floyd Bruns - The City has a vendor relationship with Bruns Electric, a business owned and operated by Fire Chief Floyd Bruns. Mr. Bruns has provided various electrical and maintenance services to the City. In addition, according to Mr. Bruns, Bruns Electric has purchased equipment and supplies on behalf of the City at a reduced cost. Mr. Bruns stated in a July 20, 2005 deposition the equipment and supplies were billed to the City at their original cost.

We identified 20 payments issued to Bruns Electric for the 3 year period ended June 30, 2005. The payments total \$6,281.70 and have been listed in **Schedule 1**. Each payment to Bruns Electric was supported by a hand-written invoice, but the invoices do not provide enough detail to determine if Mr. Bruns was providing electrical services to the City or was seeking reimbursement for purchases made on behalf of the City. As illustrated by the **Schedule**, payments were issued to Bruns Electric for 5 pagers, a respirator, a book case, fire hose, an infrared thermometer and electrical supplies. For 3 of the 20 payments, we were able to observe documentation of the original purchase price of items Mr. Bruns bought on behalf of the City.

The transactions brought to our attention by the citizens included the \$2,540.00 reimbursement included in **Schedule 1** for the purchase of 5 pagers. Mr. Bruns was not able to provide us with documentation to verify the purchase price of the pagers. We were unable to confirm the original purchase price with the vendor because the vendor from whom Mr. Bruns stated he purchased the pagers is no longer in business.

Schedule 1 also includes 11 payments issued to Mr. Bruns for the 3 year period ended June 30, 2005. As illustrated by the **Schedule**, the 11 payments totaled \$2,522.86. Again, we were unable to determine what portion, if any, of the payments were for services and what portion was for reimbursement of costs incurred on behalf of the City. We were able to determine 3 of the payments to Mr. Bruns were deposited to the Fire Fund maintained separately from other City accounts. The payments were reimbursements for purchases made from the Fire Fund. The remaining payments to Mr. Bruns were not deposited to the Fire Fund. For 3 of the 11 payments to Mr. Bruns, we were able to observe documentation of the original purchase price of items Mr. Bruns bought on behalf of the City.

Of the 6 reimbursements to Bruns Electric and Floyd Bruns for which we were able to observe the original purchase price, we determined the City was billed for original cost in 3 instances. However, for the remaining reimbursements, the City was billed for more than the amount originally paid. The reimbursements are listed in **Table 1**.

We were unable to obtain original invoices for the remaining payments that may have been reimbursements. As a result, we cannot determine whether the City was billed for more than the original cost of additional supplies or equipment.

Table 1

Description per Council Listing	Date of City Warrant	Amount Billed to City	Original Cost	Excess Billed to City
Oil & filters	10/01/02	\$ 603.57	603.57	-
Photo developing & book	06/03/03	46.47	46.47	-
Respirator	09/02/03	91.82	79.85	11.97
New computer	02/03/04	1,229.74	1,229.74	-
Book case	06/01/04	222.53	193.50	29.03
Infrared thermometer	06/15/04	366.45	349.00	17.45
Total		\$ 2,560.58	2,502.13	58.45

The concerns identified by the citizens also included a payment to Mr. Bruns for the purchase of a transformer prior to our review period beginning July 1, 2002. On May 19, 2002, the City issued a warrant to Bruns Electric for \$2,602.00. The payment was supported by an invoice from Bruns Electric. An invoice from the vendor from whom Mr. Bruns purchased the transformer documents the equipment cost \$1,398.58. We are unable to determine if the \$1,203.42 difference between the 2 invoices is the cost of labor provided by Mr. Bruns to install the transformer. The invoice from Bruns Electric did not include any indication labor was provided, the number of hours worked or the cost of materials.

Recommendation – The City should implement procedures to ensure purchases are made directly from the vendor by the City rather than through a third party. In rare instances in which reimbursement must be made to a third party for a purchase made on behalf of the City, the reimbursement should be supported by the appropriate invoices, billings or other documentation from the original vendor to ensure excess charges are not incurred.

The City should implement procedures to ensure all disbursements are properly supported by original documentation and supporting documentation is retained. In addition, all payments should be approved by the Council prior to disbursement.

2) Credit Card Payments - The City has established a credit card account with U.S. Bank. The account is held in the City’s name and the credit card is held by and contains Mr. Bruns’ name along with the City’s. We reviewed the payments made by the City to U.S. Bank for credit card purchases and identified several U.S. Bank billing statements used as support for the payments without additional documentation for individual purchases made with the credit card.

We identified 3 purchases made with the credit card at Kohl’s Department Store between May and October 2002. The 3 purchases were supported by store receipts and totaled \$812.97, including sales tax of \$53.19. The receipts document 22 pairs of *Dockers Khakis* were purchased. According to City personnel, the pants were purchased for members of the Volunteer Fire Department to wear while representing the City during parades and

other public events. The purchases were not approved by the Council until payment for the credit card bill was presented for its consideration.

Recommendation – The City should establish a written policy for use of the City’s credit card. The City should also implement procedures to ensure all payments for the credit card are properly supported by receipts, invoices or other documentation for individual purchases made with the credit card. In addition, the City should not pay sales tax on purchases.

The City should also implement procedures to ensure the Council provides approval prior to certain purchases and other actions. Because the purchase of clothing for specific individuals may appear to be a personal benefit provided to specific individuals, the City should determine and clearly document the public benefits to be derived from all disbursements of this nature prior to approval of the purchase. In addition, the City should review all disbursements prior to payment to ensure disbursements meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3) Improper Reimbursements – We reviewed reimbursements made by the City and identified 6 instances during the period July 1, 2002 through June 30, 2005 where individuals were reimbursed for alcohol and 1 instance where an individual was reimbursed for an in-room hotel movie. The improper reimbursements are summarized in **Table 2** and total \$60.61.

Table 2

Payment Date	Payee	Description	Total Reimbursement Amount	Amount of Improper Reimbursement
10/01/02	Callie Fields	in-room movie	\$ 300.42	7.30
02/18/03	Lisa Noble	alcohol	26.86	4.25
08/05/03	Carla Taylor	alcohol	164.02	14.00
03/02/04	John Soucie	alcohol	30.97	5.95
03/02/04	Lisa Noble	alcohol	213.50	4.25
02/15/05	John Soucie	alcohol	271.94	6.50
06/21/05	Eric Syverud	alcohol	500.00	18.36
Total			\$ 1,507.71	60.61

In addition to the improper reimbursements listed in the **Table**, we also identified reimbursements for 2 meals for individuals that each exceeded \$30, which appeared to be excessive. The City does not have a written meal reimbursement policy,

Recommendation – As stated previously, the City should establish a written policy for reimbursement of travel, training and other costs. The policy should include limitations for meal costs and specify allowable items for reimbursement. The City should also implement procedures to ensure all reimbursements comply with the requirements established.

In addition, the City should review all disbursements prior to payment to ensure disbursements meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 4) **Sam's Club** - The City pays for a membership to Sam's Club for the Fire Department. The annual cost for the membership during the period July 1, 2002 to June 30, 2005 was \$60.00. We reviewed the membership renewal notices and determined the \$60.00 fee included a \$30.00 charge for the first two membership cards and an additional \$30.00 fee for a third membership card. The Fire Chief and the First Assistant Fire Chief each have a membership card. The Fire Chief's wife also has a membership card. As a result of the third membership card, the City has incurred additional costs of \$90.00 for the 3 year period ended June 30, 2005.

We contacted a representative of Sam's Club and obtained a detailed history of purchases made with the City's membership. We identified occasions where personal items were purchased using the membership. However, none of the purchases of personal items were presented to the City for payment.

Recommendation – The City should not incur the cost of an additional membership card held by someone who is not a City employee or official.

- (C) **Capital Assets and Inventories** – The City, including the Fire Department, does not maintain inventory records of property and equipment. To facilitate the proper insurance, maintenance and safeguarding of property and equipment, a historical cost record should be established and maintained. Also, the City does not have a written policy for disposal of equipment.

In addition, the citizens expressed concerns regarding the disposal of a compressor and a generator. In April 2003, the City replaced a compressor. According to the Fire Chief, the old compressor was placed near the City dumpster for disposal and it was taken by the First Assistant Chief. The First Assistant Chief confirmed the old compressor is in his possession.

In early 2006, the City replaced a generator. The old generator was damaged and determined to be beyond repair. According to the Mayor, the City was contacted by an employee of Cummins Engine, the vendor used by the City to determine the prospect of repairing the generator, who offered \$500.00 for the old generator. The City accepted the offer and deposited the proceeds to the General Fund.

The citizens also expressed concerns regarding Mr. Bruns accepting delivery of City supplies and equipment at his personal residence and place of employment. Citizens provided us with various invoices and expressed concerns certain equipment could not be located. For the invoices we tested, we observed the items at the fire station. Specifically, we observed a chain hoist, desktop computer, hammerdrill, helmets, laptop computer, LCD projector, protective gear, reciprocating saw, speed display unit, video camera, welder and welding supplies. We also determined some items included on the invoices were of a consumable nature and would not be expected to still be on-hand.

Recommendation – The City should implement procedures to ensure a proper inventory of all property and equipment is prepared and maintained in a timely manner. An inventory of all property and equipment should be conducted at least once each year and compared to the fixed asset records by an independent person.

In addition, the City should adopt a written policy to address guidelines for the delivery of City property, including where items should be delivered when the City Hall is not open. Written guidelines should also be developed regarding the disposition of City property, including when bids should be taken for equipment no longer needed.

- (D) **Excess General Fund Balance** – Total General Fund receipts reported by the City for fiscal years 2004 through 2006 are summarized in **Table 3**, along with total General Fund disbursements and the balance of the General Fund at June 30 of each year. As illustrated by the **Table**, the City has maintained a significant balance in the General Fund each year and has not spent as much as it has collected.

Table 3

Fiscal Year	General Fund Receipts	General Fund Disbursements	General Fund Balance
2004	\$ 398,184	300,063	1,053,287
2005	302,163	231,639	1,123,792
2006	360,352	217,369	1,266,775 *

* - According to a report filed with the Department of Transportation, none of the balance was Road Use Tax monies.

Recommendation – Maintenance of a General Fund balance equal to 4 or 5 years of annual cash disbursements does not appear appropriate absent specific plans necessitating such a large cash accumulation. The City should evaluate the need for this large cash balance and, where appropriate, consider reducing the balance in an orderly manner through receipt reductions, such as reducing property tax rates.

(E) Road Use Tax – The City accounts for Road Use Tax funds received from the Department of Transportation in the General Fund. Allowable uses of Road Use Tax funds include disbursements for the construction, maintenance or supervision of public roadways. According to a report filed with the Department of Transportation, all \$54,673 of the City’s Road Use Tax monies received during the fiscal year ended June 30, 2006 were spent during the year. No funds were carried over from previous years.

Because a separate fund does not exist to account for Road Use Tax monies, the City cannot easily monitor the spending of these funds to ensure disbursements are in compliance with allowable activities.

Recommendation – A separate fund should be established in the City’s accounting system to ensure officials are able to properly monitor the disbursement of Road Use Tax monies. A separate fund will provide better accountability of collections, disbursements and corresponding balances.

(F) Riverdale Fire Fund Account – During the period of our review, the Fire Department maintained savings and checking accounts separate from other City accounts. According to a court deposition of the Fire Chief, Floyd Bruns, the Fire Fund was established in approximately 1988.

Mr. Bruns maintained custody of the Fire Fund checkbook and was authorized to sign checks drawn on the account. Checks did not require dual signatures and procedures were not in place for approving payments from the account. Mr. Bruns also was responsible for making deposits to the account. During the period of our review, bank statements were mailed to Mr. Bruns’ home address. Beginning in June 2006, bank statements were delivered to City Hall.

We obtained and reviewed the check register for the Fire Fund. Information such as the date of deposits and checks, a description of deposits and a running checkbook balance were not consistently documented in the register.

Deposits to the Account - Historically, as part of the Fire Department’s budget, the City issued a check to the Fire Fund to be used to supply pop and water at the fire station and provide funding for the firefighters’ annual Christmas dinner and wives’ appreciation dinner. The allocation for the year ended June 30, 2005 was \$1,800.00.

Based on a recommendation as part of an independent limited financial review performed by Eide Bailly, LLP CPAs & Business Advisors, the City no longer makes an annual

payment to the Fire Fund. Rather, the allocation is distributed through the City's regular disbursement process and payments from the allocation are subject to review and approval of the City Council.

We reviewed deposits to the Fire Fund for the period January 1, 2000 through September 30, 2006. Deposits for the period totaled \$18,259.00 and are summarized in **Table 4**.

Table 4

Source of Deposit	Date	Amount
City of Riverdale	Various	\$ 8,986.69
Bruns Electric	07/09/03	2,540.00
Unknown/Other	Various	1,962.08
Scott County Auditor	Various	1,434.30
Long Grove Fire Department	06/05/01	1,350.00
Donations	Various	750.00
Dividends on account balance	Various	576.73
Floyd Bruns' personal account	10/18/01	363.75
Sale of Scrap Metals	Various	295.45
Total		\$ 18,259.00

As illustrated by the **Table**, deposits from the City of Riverdale totaled \$8,986.69. Included in this total are reimbursements for Fire Department purchases. One of the reimbursed purchases was a computer purchased for \$1,229.74 in January 2004 from a family member of the City Clerk. By purchasing items using the Fire Fund and receiving reimbursement from the City, the original purchases were not subject to Council approval prior to purchase.

In addition, as illustrated in **Table 4**, \$2,540.00 was deposited to the Fire Fund from Bruns Electric on July 9, 2003. According to Mr. Bruns, this amount was a donation from his personal business to the Fire Fund. As discussed previously, Mr. Bruns' submitted a claim for reimbursement to the City in the amount of \$2,540.00 for the purchase of 5 pagers to be used by the Fire Department, but the amount paid was not supported by the original sales receipt.

Also, as illustrated by the **Table**, deposits to the Fire Fund received from the Scott County Auditor totaled \$1,434.30. We confirmed with an official from the Scott County Auditor's Office the amounts received were grant proceeds to reimburse the Fire Department for training costs associated with Emergency Medical Services. Because the training costs were paid from the City's General Fund, the grant proceeds should have been deposited to the City's General Fund.

During the period of our review, donations to the Fire Department should have been deposited to the City's General Fund. During that time, disbursements from the Fire Fund were to support the operations of the Fire Department and, as such, were obligations of the City which should have been subject to the review and approval of the Council.

Effective November 1, 2006, the Fire Department obtained nonprofit status as a social club, pursuant to Section 501(c)(7) of the Internal Revenue Code. A new checking account has been established for the organization.

Future donations to support the regular operations of the Fire Department or to purchase or assist with the purchase of an item that would be otherwise included in the City's Fire Department budget should be deposited by the City. Amounts specifically donated to support the social club should be clearly documented as such prior to deposit in their separate account.

Disbursements from the Account - We reviewed cancelled checks for disbursements from the Fire Fund for the period January 1, 2000 through September 30, 2006. The disbursements totaled \$25,370.92.

Because supporting documentation was not available for the disbursements, we were not able to determine the propriety of each disbursement. We asked Mr. Bruns for an explanation of several payments. Based on his responses, the vendor and the amount of the disbursement, we determined several payments appeared to be reasonable for the Fire Department. However, we determined some disbursements to be of a questionable nature. The disbursements identified as questionable have been summarized in total by payee in **Table 5**. As illustrated by the **Table**, the disbursements were for cash or issued to Mr. Bruns, his business or Paulette Bruns, his wife. As stated previously, checks issued from the Fire Fund were prepared by Mr. Bruns.

Payee	Amount
Bruns Electric	\$ 675.07
Floyd Bruns - cash	303.47
Floyd Bruns	251.22
Paulette Bruns	25.68
Total	\$ 1,255.44

As illustrated by the **Table**, checks to cash totaled \$303.47 and checks to Floyd Bruns totaled \$251.22. According to Mr. Bruns, the checks to cash and to himself were to purchase lunch for volunteer firefighters on occasions such as clean-up day. In addition, Mr. Bruns indicated the \$25.68 payment to his wife was a reimbursement for flowers purchased for an annual dinner hosted by the Fire Department. We were unable to determine what the payments to Bruns Electric were for and Mr. Bruns could not provide an explanation. The \$675.07 paid to Bruns Electric included in **Table 5** is composed of 2 warrants issued between March 13, 2000 and April 8, 2000.

Recommendation – Individuals responsible for any future activity of the Fire Fund should review the practices followed for the checking and savings accounts. To obtain the maximum internal control possible under the circumstances, the duties within the disbursement and deposit functions should be segregated to the extent possible. In addition, if a separate account is maintained, bank statements should be reviewed and reconciled to the check register by an individual without authority to sign checks.

The \$1,434.30 from the Scott County Auditor's Office deposited to the Fire Fund should be repaid to the City's General Fund to offset the training costs paid from the General Fund.

The balances of the Fire Fund checking and savings accounts at September 30, 2006 were \$6,119.21 and \$191.65, respectively. City officials, with assistance from Fire Department officials, should determine what additional portion, if any, of these balances resulted from deposits to the account that should have been deposited by the City rather than to the Fire

Fund. Amounts that should have been deposited by the City include unspent donations, fund raising proceeds and proceeds from the sale of scrap metal prior to November 1, 2006.

The City should consider placing the funds that should have been deposited by the City in a fund designated to support operations of the Fire Department. All activity in such a fund should be subject to the same Council oversight as the General Fund.

Supporting documentation should be retained for all disbursements. Also, a detailed record of deposits and disbursements, including the source and purpose of all donations received, should be maintained.

In accordance with section 384.20 of the *Code of Iowa*, City funds should not be separately maintained and should be subject to City Council review and the City's budget process. The City should implement procedures to ensure City funds are not held separately from any accounts maintained by the Clerk.

In addition, the City should implement procedures to ensure purchases from parties related to or otherwise affiliated with a City employee or official are determined to be in the public interest and are clearly documented as such.

- (G) **Fire Fighter Awards Plan** – The City has established an awards plan for volunteer firefighters. The account established by the City to fund the plan had a balance of \$60,701.15 at June 30, 2006. The plan provides volunteer members of the Fire Department a monthly benefit of \$7.00 per year of service upon the later of age 65 or the date of retirement from the Department. The awards plan was reviewed and approved by the City's attorney prior to implementation.

We were asked to determine whether the plan was in compliance with the *Code of Iowa*. We did not identify a *Code* section which prohibits the City from maintaining a firefighter awards plan. However, based on a limited discussion with a representative of the Iowa Public Employees' Retirement System (IPERS), there may be some considerations to be addressed in order to ensure the awards plan is appropriate.

Recommendation – The City should consult with a representative of IPERS to determine whether additional compliance requirements exist.

- (H) **Other Items** – The following concerns were brought to our attention during our fieldwork. However, due to the nature of the concerns and the documentation available for review, we are unable to determine whether the City complied with applicable laws and regulations.

- **Motor Vehicle Accident** – Mr. Bruns was involved in a motor vehicle accident with a Fire Department vehicle in August 2004. The cost to repair the vehicle was \$2,347.99. Section 321.266 of the *Code of Iowa* states in part “The driver of a vehicle involved in any accident resulting in “...total property damage to an apparent extent of one thousand dollars or more shall within seventy-two hours of the accident, forward a written report of the accident to the department [of transportation].” In addition, the *Code* section states a report is not necessary when the accident is investigated by a law enforcement agency.

Mr. Bruns stated a report had not been filed with the Department of Transportation. We were not provided with an accident report to document the accident was investigated by law enforcement. As a result, we are unable to make a determination as to whether Mr. Bruns was required to file a report with the Department of Transportation.

- **Notice of Public Meeting** - Citizens expressed concern with the number of cars at City Hall outside of regular hours and whether a specific meeting was held without proper notice to the public. Because it is not known which individuals were present at City Hall or the context of any discussions held, we cannot determine whether the City complied with applicable open meeting requirements.

Recommendation – The City should implement procedures to ensure any future accidents involving City vehicles are reported in an appropriate manner. Also, the City should ensure all Council and City committee members are familiar with the requirements established by Chapter 21 of the *Code of Iowa* regarding open meetings. City officials and employees should also periodically make personal observations of committee meetings to ensure they are carried out in an appropriate manner.

City of Riverdale

Schedule of Payments to Bruns Electric and Floyd Bruns

July 1, 2002 through June 30, 2005

Warrant Number	Check Date	Payee per Check	Description from Council Listing	Amount
10817	04/01/03	Bruns Electric	pressure switch	\$ 19.94
10817	04/01/03	Bruns Electric	repair outside light	20.00
10903	06/03/03	Bruns Electric	5 pagers	2,540.00
11038	09/02/03	Bruns Electric	respirator	91.82
11038	09/02/03	Bruns Electric	replace lamps parking lot/exits	141.07
11072	09/16/03	Bruns Electric	light repair	38.00
11106	10/07/03	Bruns Electric	replace parking lot light	37.92
11174	12/02/03	Bruns Electric	bulbs for building	62.60
11214	01/06/04	Bruns Electric	repair and calibrate meter	701.80
11232	01/06/04	Bruns Electric	parking lot light	49.00
11347	03/16/04	Bruns Electric	bulbs, light repair bldng	81.21
11382	04/06/04	Bruns Electric	painting 2 doors, lights	109.08
11406	04/20/04	Bruns Electric	12 bulbs	92.52
11448	06/01/04	Bruns Electric	book case for FD office	222.53
11470	06/15/04	Bruns Electric	fire hose	290.00
11470	06/15/04	Bruns Electric	infrared thermometer	366.45
11741	12/21/04	Bruns Electric	repair lights	97.54
11796	02/01/05	Bruns Electric	two ballast, one lamp	55.69
11822	02/15/05	Bruns Electric	fixture	78.00
11822	02/15/05	Bruns Electric	radio room floor replaced	1,186.53
		Subtotal		<u>6,281.70</u>
10513	08/20/02	Floyd Bruns	building lights	387.69
** 10554	10/01/02	Floyd Bruns	oil & filters	603.57
10704	01/21/03	Floyd Bruns	repair generator	40.00
10724	02/04/03	Floyd Bruns	brushes	11.96
10724	02/04/03	Floyd Bruns	cable cotters, vibration pad	108.04
10724	02/04/03	Floyd Bruns	repair light balast Mayor's Office	30.00
10902	06/03/03	Floyd Bruns	photo developing & book	46.47
** 10995	07/15/03	Floyd Bruns	aluminum foil for 4th	21.74
11038	09/02/03	Floyd Bruns	shirt	18.65
** 11264	02/03/04	Riverdale Fire (Floyd)	new computer	1,229.74
11353	04/06/04	Floyd Bruns	to Channon for saw repair	25.00
		Subtotal		<u>2,522.86</u>
		Total		<u>\$ 8,804.56</u>

** - Deposited to the Fire Fund.

City of Riverdale

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Corinne M. Johnson, CPA, Senior Auditor
John G. Vanis, CGFM, Senior Auditor
Ryan J. Sisson, Staff Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State