



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE \_\_\_\_\_ December 12, 2007 \_\_\_\_\_

Auditor of State David A. Vaudt today released a reaudit report on the City of Keosauqua for the period July 1, 2003 through June 30, 2004. The reaudit also covered certain items to determine practices applicable to the years ended June 30, 2005 and 2006 and for the period July 1, 2006 through March 31, 2007. The reaudit was performed as a result of a request from citizens.

Vaudt recommended the City Library adopt formal policies regulating the use of credit cards and the disposition of City owned equipment. Vaudt also recommended the City utilize pre-printed receipts to provide control over cash collections. Other findings pertained to Library Board minutes documentation. The City and the Library responded favorably to the recommendations contained in the reaudit report.

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

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**CITY OF KEOSAUQUA**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**FOR THE PERIOD**  
**JULY 1, 2003 THROUGH JUNE 30, 2004**

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**City of Keosauqua**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Hranicka	Mayor	January 2005
Jay Goldstein	Council Member	January 2005
Barbara Morris	Council Member	January 2005
Paul Ovrom	Council Member	January 2007
Mike Rippy	Council Member	January 2007
Jerry Syfert	Council Member	January 2007
Jacki Gunn	City Clerk	Indefinite
Richard Lytle	Attorney	Indefinite

**City of Keosauqua**



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Auditor of State's Report on Reaudit

To the Honorable Mayor  
and Members of the City Council:

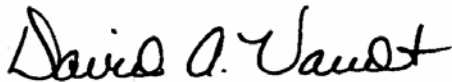
We performed a reaudit of the City of Keosauqua (City) under Chapter 11.6(4) of the Code of Iowa. As part of the reaudit, we reviewed the audit report and requested certain workpapers from the City's independent auditing firm for the fiscal year ended June 30, 2004. We have applied certain tests and procedures to selected accounting records and related information of the City of Keosauqua for the period July 1, 2003 through June 30, 2004. We also reviewed selected transactions and information for the years ended June 30, 2005 and 2006 and for the period July 1, 2006 through March 31, 2007. The procedures we performed are summarized as follows:

1. We reviewed City Council and Library Board minutes for compliance with Chapters 21 and 372.13 of the Code of Iowa.
2. We inquired and reviewed the City Council and Library Board minutes for action, if any, pertaining to donations, gifts or other contributions from July 1, 2003 through March 31, 2007 and reviewed related transactions for proper accounting and reporting.
3. We reviewed related party transactions for the year ended June 30, 2006 and the period July 1, 2006 through March 31, 2007 for compliance with Chapter 362.5 of the Code of Iowa.
4. We inquired whether the City and Library had established credit card policies.
5. We requested and obtained a listing of all City and Library bank accounts and investments from July 1, 2003 through March 31, 2007 and confirmed selected accounts with the financial institutions.
6. We reviewed the City's competitive bidding process and tested selected transactions for compliance with the Code of Iowa.
7. We obtained and reviewed City insurance policies and coverage.
8. We reviewed and determined the status of audit findings and recommendations for the year ended June 30, 2004.
9. We selected and reviewed certain disbursements from City Library accounts.
10. We inquired whether the Kilbourne Cemetery is owned by the City and determined it is not owned by the City of Keosauqua.

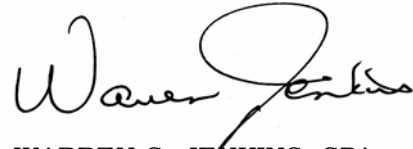
Based on the performance of the procedures described above, we have various recommendations for the City and Library. Our recommendations and identified instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the City of Keosauqua, 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 personnel of the City of Keosauqua. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 7, 2007



## **Detailed Findings**

City of Keosauqua

Detailed Findings

July 1, 2003 through June 30, 2004

- (A) Library Minutes – Except as noted below, for the minutes reviewed, no transactions were found that we believe should have been approved in the minutes but were not.

Equipment Purchase

The son of a Library Board member purchased computer equipment costing \$909 for the Library on April 12, 2005 and was reimbursed by Library check dated June 15, 2005.

The reimbursement for the computer equipment was approved on the bill listing at the May 9, 2005 Library Board meeting. The July 11, 2005 Library Board minutes documented approval for the purchase of equipment necessary to offer wireless internet access in the Library.

Although the Library Board ultimately approved the purchase of the computer equipment and technology improvements to provide wireless internet service to the Library on July 11, 2005, this approval was approximately three months after the purchase was made.

Recommendation – For better budgetary and financial control, the Library Board should approve significant equipment purchases and technology improvements prior to the purchase of the equipment and implementation of the improvements.

Response – The computer components purchased by a Board Member’s son for the Keosauqua Public Library on April 12, 2005, were purchased from newegg.com. The components were for two upgraded replacement computers for the staff and check-out computer stations. The reimbursement was approved by the Board at the May 9, 2005 board meeting. This transaction was unrelated to the July 11, 2005 discussion regarding the purchase of equipment for wireless internet service. Going forward, the Library Board will always approve significant purchases prior to their purchase and the Library Board minutes will record these approvals.

Conclusion – Response accepted.

Meeting Agenda

Chapter 21.4(1) of the Code of Iowa states in part “A governmental body, except township trustees, shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to apprise the public of that information.”

Chapter 21.4(2) of the Code of Iowa states in part “Notice conforming with all of the requirements of subsection 1 of this section shall be given at least twenty-four hours prior to the commencement of any meeting of a governmental body unless for good cause such notice is impossible or impractical, in which case as much notice as is reasonably possible shall be

given.” This section also states in part “When it is necessary to hold a meeting on less than twenty-four hours notice, or at a place that is not reasonably accessible to the public, or at a time that is not reasonably convenient to the public, the nature of the good cause justifying that departure from the normal requirements shall be stated in the minutes.”

Library agendas were not always posted in advance of the meeting as required by Chapter 21.4 of the Code of Iowa.

Recommendation – The Library Board should post the meeting agenda as required by Chapter 21.4 of the Code of Iowa.

Response – In the past, a meeting agenda may not have always been posted in advance of the meetings of the Library Board in accordance with Chapter 21.4 of the Iowa Code. Since August 2006, a meeting agenda has been posted in advance of the meetings of the Library Board in accordance with Chapter 21.4 of the Iowa Code.

Conclusion – Response accepted.

#### Documenting Votes

Chapter 21.3 of the Code of Iowa states in part “Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session.”

Although the Library Board President represented the Library Board works on a consensus basis and decisions were unanimous, the Library minutes did not always provide sufficient information to indicate the vote of each member as required by Chapter 21.3 of the Code of Iowa.

Recommendation – Library minutes should provide sufficient information to indicate how each Board Member voted as required by Chapter 21.3 of the Code of Iowa.

Response – Since July 2007, the secretary of the Board has been directed to include in the minutes, the record of ayes and nays, by name, of all votes taken by the Board unless the vote is unanimous, which shall also be recorded to comply with Chapter 21.3 of the Iowa Code.

Conclusion – Response accepted.

#### Closed Sessions

Chapter 21.5(1) of the Code of Iowa states in part “A governmental body may hold a closed session only by affirmative public vote of either two-thirds of the members of the body or all of the members present at the meeting.” This section also provides the reasons a governmental body may hold a closed session, including Chapter 21.5(1)(i) of the Code of Iowa. This section states a closed session may be held to the extent necessary “To evaluate the professional competency of an individual whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to that individual’s reputation and that individual requests a closed session.”

The Library Board went into closed session on January 17, 2005 to discuss personnel issues. This meeting was not closed in accordance with Chapter 21.5 of the Code of Iowa. The minutes did not include documentation of an affirmative roll call of at least two-thirds of the board members or the specific exemption under Chapter 21.5 of the Code of Iowa.

Closed sessions for general discussion of “personnel issues” do not appear to meet the criteria of Chapter 21.5(1)(i) of the Code of Iowa unless the governing body closes the session to discuss a specific individual and that individual requests a closed session.

Recommendation - The Library Board should ensure compliance with Chapter 21.5 of the Code of Iowa when going into closed session. The minutes should include documentation sufficient to demonstrate compliance with the applicable section of Chapter 21.5 of the Code of Iowa.

Response - In an attempt to prevent information which might be detrimental to the reputation of the respected long-time Library Director from becoming part of the public record, the Library Board held a closed session on January 17, 2005 without the documentation required by Chapter 21.5 of the Iowa Code. In any future consideration of holding a closed session of the Library Board, the Board will consult with the City Attorney to ensure compliance with all current requirements of the Iowa Code.

Conclusion - Response acknowledged. If closed sessions are held, the Board minutes should include documentation sufficient to demonstrate compliance with the applicable section of Chapter 21.5 of the Code of Iowa.

#### Signing Minutes

Minutes of the meetings of the Library Board were not signed.

Recommendation - Although not required by statute, Library minutes should be signed to authenticate the record.

Response - Although not required by statute, Library minutes have been signed since July 2007 to authenticate the record.

Conclusion - Response accepted.

- (B) City Owned Equipment - According to Article III, Section 31 of the Constitution of the State of Iowa, “no public money or property shall be appropriated for local or private purposes.” Also, according to an opinion of the Attorney General dated May 13, 1983, “private use of public property is permissible only if the private use is incidental to a public purpose.” Additionally, City of Keosauqua Resolution number 06-05 states in part, “Equipment/vehicles owned by the City shall not be loaned, lent, rented, given to or otherwise used by any individual for personal use.”

According to the May 9, 2005 Library Board minutes, the Board approved giving an unused computer to a retiring librarian as a gift and to purchase a new printer to go with the unused computer. The Library Board President represented the printer was purchased from donations made by the Library Board members. We reviewed disbursements for a period of six months after May 9, 2005 and found no expenditures from the Library for a printer.

Recommendation - In the future, as a Department of the City of Keosauqua, the Library Board should adhere to City resolution 06-05 and the requirements of Article III, Section 31 of the Constitution of the State of Iowa. The Library Board

could also adopt a written policy specifically addressing the disposition of Library property, which should specifically prohibit gifts of public property to employees.

Response – The Library Board did approve giving an outdated surplus library computer to the long-term Library Director upon her retirement. The Library will not gift surplus equipment in the future and will dispose of surplus equipment in accordance with the Iowa Code.

Conclusion – Response accepted.

- (C) Business Transactions – Chapter 362.5(11) of the Code of Iowa provides exceptions to conflicts of interest including “Contracts not otherwise permitted by this section for the purchase of goods or services by a city having a population of two thousand five hundred (2,500) or less, which benefit a city officer or employee, if the purchases benefiting that officer or employee do not exceed a cumulative total purchase price of two thousand five hundred dollars (\$2,500) in a fiscal year.”

Business transactions between the City and City Library Board officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Fiscal Year	Amount
Susan Wasko, Library Board Member, owner of Wasko Hardware	Supplies	2006	\$ 5,699
	Supplies	2007	3,882

The City owned Keosauqua Power and Light paid \$2,960 of the \$5,699 for fiscal year 2006 and \$1,554 of the \$3,882 through March 31 of fiscal year 2007, respectively.

Pursuant to Chapter 362.5(11) of the Code of Iowa, the above transactions appear to represent a conflict of interest since total transactions exceeded a cumulative total of \$2,500 during each of the two fiscal years.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – On November 20, 2007, Susan Wasko resigned from the Library Board thus removing any conflict of interest that may have existed in regards to Chapter 362.5(11) of the Code of Iowa. The City of Keosauqua will consider Chapter 362.5(11) of the Code of Iowa requirements in making any future appointments and spending decisions. The Library has purchased less than \$100 annually from Wasko Hardware. The Library will follow the recommendation of the City Attorney in this matter.

Conclusion – Response accepted.

- (D) Credit Cards – The City and the Library have credit cards for use by employees while on City and Library business. On May 11, 2004, the City approved Resolution #16-04 regarding who maintains a credit card and appropriate use, including required documentation to be presented to the City Clerk. However, this resolution does not specifically include Library personnel. The Library has not adopted a formal policy to regulate the use of its credit card and to establish procedures for the proper accounting and documentation required for credit card charges.

Recommendation – The Library should adopt a formal written policy establishing limitations and regulating the use of the Library credit card similar to and consistent with the City’s policy. The policy, at a minimum, should address who controls the credit card, individual(s) authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The Library does not have a formal policy on the use of its credit card. The Library is in the process of updating its policy and is including a policy statement on the use of its credit card which is in accordance with the City policy.

Conclusion – Response accepted.

- (E) City Receipts – The City Clerk manually prints receipt numbers on receipts for office collections.

Recommendation – To provide additional control over the proper collection and recording of all money, pre-printed receipts should be issued.

Response – The City of Keosauqua has ordered prenumbered receipts to record all monies received. Upon receipt of such, the City will immediately implement the procedure recommended by the State Auditor’s Office.

Conclusion – Response accepted.

- (F) Library Certificate of Deposit - One of the Library’s certificates of deposit used an individual’s taxpayer identification number rather than the City/Library taxpayer identification number.

Recommendation – The Library should review this to determine the propriety of the taxpayer identification number on this certificate of deposit, including reissuance by the bank if the taxpayer identification number is determined to be incorrect.

Response – Ownership of one of the certificates of deposit held by the Keosauqua Public Library only became the property of the Library upon the death of the original owner. The original certificate listed the original owner’s social security number. However, upon her death, the bank’s internal records were changed to reflect the Library’s Tax Identification Number (TIN), but the certificate itself was not reissued. On November 7, 2007 the issuing bank reissued the certificate in the Library’s name and TIN documentation of the investments they hold.

Conclusion – Response accepted.

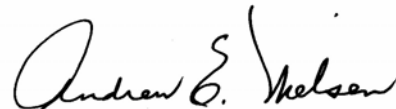
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City of Keosauqua

Staff

This reaudit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
John G. Vanis, Senior Auditor, CGFM

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State