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NEWS RELEASE

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FOR RELEASE _____ January 9, 2009 _____

Auditor of State David A. Vaudt today released a report on the City of Hazleton for the period January 1, 2008 through November 30, 2008. The procedures were performed as a result of a request from the Buchanan County Attorney. His office received a letter from a citizen concerned with alleged actions taken by the Mayor regarding the disposal of scrap metal from City property, the collecting and disbursing of donations received for victims of a tornado and the purchase of filing cabinets for the City.

Vaudt reported the procedures identified \$165.00 received by a relative of the Mayor for the disposal of power lines which had been downed during the tornado which had not been remitted to the City. In addition, because no records were maintained, the amount of donations collected at City Hall could not be determined. Vaudt reported the purchase of 6 \$50.00 gift cards and the subsequent disposition of 5 of the 6 gift cards, which were given by the Mayor to victims of the tornado, were confirmed. The purchase of a filing cabinet for \$25.00 for which the Mayor was not reimbursed was also identified.

The report includes recommendations to strengthen the City's controls and procedures over the disposal of scrap material, receipt of donations and purchases. Specifically, Vaudt recommended the City develop a written policy specifying the method by which scrap material is to be disposed of and consider whether the current purchasing policy should remain as written or whether the specified dollar limit or number of allowed items should be amended.

A copy of the report has been filed with the Buchanan County Attorney's Office. Copies of the report are 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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January 6, 2009

To the Honorable Mayor and
Members of the City Council:

We were recently contacted by the Buchanan County Attorney's Office as a result of a citizen's concerns with alleged actions taken by the Mayor regarding the disposal of scrap metal from City property, the collection and distribution of donations received and the purchase of filing cabinets. As a result of a request by the Buchanan County Attorney, we conducted certain tests and procedures to selected financial transactions of the City for the period January 1, 2008 through November 30, 2008. Based on discussions with the Mayor, City Clerk and other officials of the City and a review of relevant information, we performed the following procedures:

- (1) Reviewed policies and procedures to determine whether the City had a written policy regarding the disposal of scrap material and the purchase of supplies and equipment for the City.
- (2) Reviewed Council minutes to determine if certain actions taken by the Mayor had been discussed by or approved by the City Council.
- (3) Interviewed City officials to determine if adequate documentation existed to support the donations received for victims of the tornado, which were subsequently distributed by the Mayor.
- (4) Confirmed with certain citizens if a gift card had been received from the Mayor and/or the City after the tornado.
- (5) Reviewed documentation supporting reimbursements to the Mayor to determine if the reimbursements were appropriate and if supporting documentation was proper.

As a result of these procedures, we identified \$165.00 received by a relative of the Mayor for aluminum wire scrapped at a local salvage yard which was not remitted to the City. In addition, because no records were maintained, we were unable to determine the amount of donations collected by the Mayor at City Hall. According to the August 20, 2008 Council meeting minutes, the Mayor purchased 9 \$50.00 gift cards with the donations received. However, according to the Mayor on December 1, 2008, only 7 gift cards were purchased. We were able to confirm the purchase of 6 \$50.00 gift cards from a local bank and the subsequent disposition of 5 of the 6 gift cards, which were given by the Mayor to victims of the tornado. According to the Mayor's wife, the 7th gift card may have been purchased from a local vendor. However, neither she nor the Mayor could remember which vendor. We also identified the purchase of filing cabinets for which the Mayor was not reimbursed.

As a result of our review, we identified the following findings and recommendations that should be considered by the City:

- (A) Disposal of Scrap Material – As a result of a tornado that went through the City on May 25, 2008, approximately 2,000 feet of power lines were downed on City property. Although the power lines belonged to the Central Iowa Power Cooperative (CIPCO), CIPCO relinquished the duty of removing the downed power lines to the City. According to a representative of the City Maintenance Department, he asked the Mayor if he should contact the individual normally hired by the City to remove the power lines, but the Mayor stated he would take care of them. Based on discussions we held with Council members, it was their understanding the Mayor volunteered his services and no payment was necessary. The representative of the City Maintenance Department stated the downed power lines weighed approximately ¼ pound per foot.

According to the Mayor, he and a City Council member removed the power lines and hauled them to a local salvage yard where he received \$75.00. He stated he retained the proceeds from the salvage yard in lieu of claiming mileage from the City for recovery work done after the tornado. Neither the removal of the power lines nor the retention of the proceeds were discussed with or approved by the City Council. The City Council subsequently requested, and the City received, a \$75.00 payment from the Mayor for the power lines.

We contacted the local salvage yard to which the Mayor stated he had hauled the power lines. According to a representative of the salvage yard, 480 pounds of aluminum were brought in on July 24, 2008 by Joe Steggall. The representative stated Mr. Steggall was paid \$240.00 for the aluminum. We asked the City Clerk if she was familiar with Mr. Steggall and she informed us he is a relative of the Mayor. We subsequently asked the Mayor about Mr. Steggall and the total received for the aluminum. The Mayor confirmed he was a relative and stated he had only been given the \$75.00 which he remitted to the City. The remaining \$165.00 was apparently retained by Mr. Steggall.

We attempted to confirm whether Mr. Steggall had assisted the Mayor with the clean-up. The Mayor had previously stated a Council Member assisted him. In a later conversation, the Mayor stated Mr. Steggall had assisted with the clean-up. However, according to the Mayor Pro Tem, there was no understanding by the City Council Mr. Steggall would be assisting or compensated for his work. In addition, during a final discussion with the Mayor, he also changed the amount he received for the power lines. He originally stated he received \$75.00 which he remitted to the City. He subsequently stated he received \$150.00 and remitted \$75.00 to the City.

The City does not have a formal, written policy governing the disposal of scrap material. Currently, the City Maintenance Department works with the same individual whenever material needs to be disposed of. The individual provides a weigh ticket to the City and evenly splits the proceeds with the City.

Recommendation – The City should consider developing a written policy to govern the disposal of scrap material from City property. In addition, the City Council should request the remaining \$165.00 be remitted to the City or approve any amounts the City Council believes are appropriate reimbursement to the Mayor for expenses during his disaster recovery efforts.

- (B) Donations – According to the Mayor, donations of money, food and clothing were received at City Hall after the tornado. Because the City Clerk and the temporary staff were unavailable to work in the office, the Mayor's wife worked at City Hall for a brief period. During this time, the donations were placed in an envelope in the City Clerk's desk. However, no log book or initial listing was maintained to document how much was received. According to the City Clerk, after she returned, she asked the Mayor how to handle the donations. He told her he would take care of them. However, the money was not deposited to the City's bank account. According to the Mayor's wife, she took it upon herself to use the money donated to purchase gift cards to be given to victims of the tornado.

According to the August 20, 2008 Council meeting minutes, the Mayor stated 9 \$50.00 gift cards were purchased with the cash donations and distributed to those hit hardest by the tornado. However, on December 1, 2008, the Mayor's wife told auditors 7 \$50.00 gift cards had been purchased from a local bank. In addition, according to the Mayor, he and his wife determined how the gift cards should be distributed. They provided us with the names of the individuals receiving the gift cards. Neither the purchase of the gift cards nor their subsequent distribution were discussed with or approved by the City Council.

We confirmed the number of gift cards purchased with a representative of the bank named by the Mayor's wife. The bank stated 6 \$50.00 gift cards were purchased on July 7, 2008. We asked the Mayor and his wife about the 7th gift card. According to

the Mayor's wife, she may have purchased 1 gift card from another vendor; however, she could not remember which vendor. We were able to confirm 5 of the \$50.00 gift cards were received by the individuals named by the Mayor. We were unable to contact the 6th recipient.

Recommendation – All monies received by City personnel should be recorded and deposited to the City's bank account. Should City personnel receive citizen donations in the future, the amount and name of the individual should be recorded on an initial listing. The money collected should then be deposited to the City's bank account or remitted to another entity which collects donations, such as the American Red Cross. The City Council should discuss and approve the subsequent distribution of all funds received.

- (C) Purchases by the Mayor – According to the Mayor, after the tornado, a discussion was held at a City Council meeting regarding the accessibility of the Fire Department to the public. There are currently 2 firefighters on the City Council who both agreed there should be public hours at the Fire Department. However, they were concerned with the security of confidential records held at the Fire Department related to emergency response calls. According to the Assistant Fire Chief, the issue was to be discussed at the next Fire Department meeting and a solution would be decided. In the interim, the Mayor traveled to North Liberty and purchased 2 filing cabinets for \$25.00 each for the City. According to the Mayor, he intended 1 to be for the Fire Department. It was a locking, fireproof cabinet which could be used to secure the confidential records. The other filing cabinet was to be used at City Hall.

Because the Fire Department had not yet had a chance to discuss the matter, the Fire Department did not accept the filing cabinet from the Mayor. According to the Mayor, he subsequently sold the filing cabinet to a local business person. In addition, because the Mayor had not discussed the purchase of the filing cabinets with the City Council prior to traveling to North Liberty, the City Council denied both the Mayor's mileage claim and his reimbursement claim for the purchase of the filing cabinets. The Council members we spoke with questioned why the Mayor traveled to North Liberty when there are closer locations where the same items would have been available.

According to the City Clerk, 1 of the filing cabinets is being used at City Hall. Current City policy states a single item purchase up to \$100.00 can be made without prior City Council approval. The purchase of the filing cabinets is in compliance with this policy.


Recommendation – The City Council should reconsider reimbursing the Mayor \$25.00 for the filing cabinet which was purchased in accordance with existing City policy and is in use at City Hall. In addition, the City Council should evaluate the written purchase policy to determine whether it should remain as written or whether the specified dollar limit or allowed number of items should be amended.

The procedures we performed 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 Hazleton, other matters might have come to our attention that would have been reported to you.

A copy of this report has been filed with the Buchanan County Attorney.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State