



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 _____ January 22, 2009 _____

Auditor of State David A. Vaudt today released a report on a special investigation of the Cedar Rapids Veterans Memorial Commission (Commission) and Valor, Inc. (Valor) for the period January 1, 2006 through October 31, 2007. The special investigation was requested by the Commission as a result of concerns identified with the hours reportedly worked by Gary Craig, the former Director for the Commission. In addition to his position with the Commission, Mr. Craig served as the Treasurer for Valor, a non-profit organization founded for the purpose of renovating mobile homes for low-income or homeless veterans. Mr. Craig was placed on paid administrative leave from his duties at the Commission on October 2, 2007 and resigned from his position effective March 1, 2008. He also is no longer the Treasurer for Valor.

Vaudt reported the special investigation identified \$15,200.18 of improper disbursements and improper payroll. The improper disbursements of \$10,178.57 consist of:

- \$6,855.17 of personal disbursements and cash withdrawals from the "Metro Vets Memorial Brick Fund Metro Vets CL Stand Down DBA" (Stand Down) checking account,
- \$2,995.87 of Valor deposits, deposited into and disbursed from a personal checking account of the former Director used for Valor activities, which were used for disbursements not meeting Valor purposes,
- \$303.25 of Menards purchases made with Valor funds and
- \$24.28 of penalties on late utility payments.

The \$5,021.61 of improper payroll includes \$4,428.23 of payroll disbursements and \$593.38 for the City's FICA and IPERS contributions on the improper payroll disbursements. The improper payroll results from time logs for Valor listing the dates and hours Mr. Craig worked which overlap hours he was expected to be working for the Commission. We identified 162 hours

recorded on Mr. Craig's City time sheet over 90 days which overlapped with hours recorded on the time logs for Valor.

On August 24, 2007, a \$6,800.00 cash deposit was made to the Stand Down checking account. The Stand Down checking account was established for the purpose of funding Stand Down events held in Cedar Rapids. Mr. Craig had primary responsibility for this account. According to minutes of a Stand Down/Valor financial meeting held August 27, 2007, Mr. Craig admitted to withdrawing cash from the Stand Down checking account to be used for Valor expenses. However, because no supporting documentation was provided for the cash withdrawals, we are unable to verify the funds were actually used for Valor expenses. At the same meeting, Mr. Craig also stated he had returned the money to the Stand Down checking account.

In addition, an analysis of the personal checking account of the former Director used for Valor activities identified \$20,538.00 of cash deposits during the time period of the investigation. According to a member of the Valor Board, because the primary contributions to the account are made by check, he did not expect the former Director to have significant cash collections for Valor. Because supporting documentation was not available, we were unable to verify the source of the cash deposits. However, such a large amount of cash deposits is highly unusual for the time period reviewed.

Vaudt also reported adequate records for all receipts and certain disbursements were not available to determine if additional amounts may have been undeposited or improperly disbursed during the time period reviewed.

The report includes recommendations to strengthen the Commission's internal controls and operations of Valor, such as improvements to segregation of duties and requiring Board approval and proper supporting documentation for disbursements.

Copies of the report have been filed with the City of Cedar Rapids' Attorney's Office, the Linn County Attorney's Office, the Linn County Sheriff's Office, the Attorney General's Office and the Division of Criminal Investigation. A copy of the 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>.

###

**REPORT ON SPECIAL INVESTIGATION
OF THE
CEDAR RAPIDS VETERANS MEMORIAL COMMISSION
AND
VALOR, INC.**

**FOR THE PERIOD
JANUARY 1, 2006 THROUGH OCTOBER 31, 2007**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5-6
Detailed Findings	6-13
Recommended Control Procedures	14-15
Exhibits:	<u>Exhibit</u>
Summary of Findings	A 19
Bank Analysis – Stand Down Checking Account	B 20-21
Personal Purchases and Cash Withdrawals from Stand Down Checking Account	C 22-23
Bank Analysis – Valor Checking Account	D 24-25
Improper Payroll Disbursements to Gary Craig	E 26-30
Staff	31
Appendices:	<u>Appendix</u>
Copy of Minutes of a Stand Down/Valor Financial Meeting	1 34-35
Copy of a Financial Statement Submitted by Gary Craig	2 36



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 Members of the Cedar Rapids
Veterans Memorial Commission:

As a result of alleged improprieties regarding the hours worked by the former Director, we conducted a special investigation of the Cedar Rapids Veterans Memorial Commission (Commission) and Valor, Inc. (Valor). We have applied certain tests and procedures to selected financial transactions of the Commission and Valor for the period January 1, 2006 through October 31, 2007. Based on discussions with Commission and Valor officials and personnel and a review of relevant information, we performed the following procedures:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Obtained and reviewed bank statements, images of deposit slips and images of checks issued from the "Metro Vets Memorial Brick Fund Metro Vets CL Stand Down DBA" (Stand Down) to determine the source of all deposits and the disposition of all disbursements.
- (3) Obtained and reviewed the personal checking account of Gary Craig, the former Director, which had been designated as the Valor account, to determine the source of all deposits and the disposition of all disbursements.
- (4) Obtained and reviewed the financial statements and related disbursement listings of Valor to determine if the amounts could be supported.
- (5) Obtained and reviewed all receipts for purchases at Menards to determine if the purchases were made for the intended purposes and properly recorded on Valor's financial statements and related disbursement listings.
- (6) Obtained and reviewed all utility statements from MidAmerican Energy and Alliant Energy to determine if the payments were made for the intended purposes and properly recorded on Valor's financial statements and related disbursement listings.
- (7) Confirmed payments to the former Director by Linn County for rent assistance to determine if they were properly deposited to the Valor account and were subsequently disbursed for the intended purpose.
- (8) Confirmed payments to Five Seasons Mobile Home Court on behalf of Valor to determine if they were properly recorded by the former Director and were for appropriate purposes.
- (9) Confirmed the veterans who had been approved by the Valor Board to receive assistance to determine if the rent and utility payments made by the former Director were appropriate.
- (10) Obtained and reviewed the former Director's time sheets submitted to the City of Cedar Rapids' Finance Department and the time logs submitted to the Valor Board to determine if the hours recorded were appropriate.

- (11) Obtained and reviewed all procurement card transactions initiated by Commission employees and processed for payment by the City of Cedar Rapids' Finance Department to determine if the purchases were appropriate.
- (12) Attempted to contact Mr. Craig with the assistance of a representative of the Linn County Sheriff's Office. However, he did not return the calls.

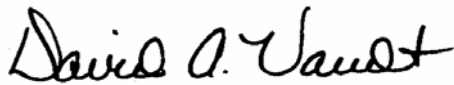
These procedures identified \$15,200.18 of improper disbursements and improper payroll. The improper disbursements of \$10,178.57 include \$6,855.17 from the Stand Down checking account and \$2,995.87 from Mr. Craig's personal checking account used for Valor activities. The \$5,021.61 of improper payroll includes \$4,428.23 of payroll disbursements and \$593.38 for the City's FICA and IPERS contributions on the improper payroll disbursements.

We were unable to determine if there were additional amounts which may have been undeposited or improperly disbursed because adequate records were not available for all receipts and certain disbursements. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **E** of this report.

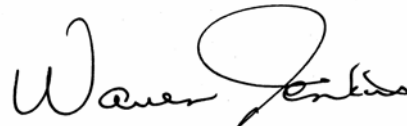
The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Commission or Valor, other matters might have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

Copies of this report have been filed with the City of Cedar Rapids' Attorney's Office, the Linn County Attorney's Office, the Linn County Sheriff's Office, the Attorney General's Office and the Division of Criminal Investigation.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 10, 2008

Cedar Rapids Veterans Memorial Commission
and
Valor, Inc.

Investigative Summary

Background Information

The Cedar Rapids Veterans Memorial Commission (Commission) is responsible for the operations and maintenance of the Veterans Memorial Buildings (City Hall, Memorial Stadium and Veterans Memorial Park) located in Cedar Rapids. The Commission is comprised of 7 members appointed by the City Council as required by Chapter 37 of the *Code of Iowa*. The Commission has approximately 12 employees, including the Director, and is primarily funded through a property tax levy received through the City's Finance Department. In August 1998, the Board authorized hiring Gary Craig as the Director.

As the Director, Mr. Craig directed and supervised the Memorial buildings and grounds (Memorial facilities) and personnel, including operations, maintenance, administrative and contracted services. He also performed related work, such as organizing preventative maintenance and repair of Memorial facilities and coordinating maintenance schedules. In addition, Mr. Craig prepared and presented the proposed budget to the Commission and City Council and monitored the annual budgetary activities for the Memorial facilities.

The Commission also employs an administrative staff member, Kathy Greene. Ms. Greene's responsibilities include:

- 1) City Hall auditorium rental,
- 2) preparation and submission of time sheets for Commission employees,
- 3) assigning the accounting codes for all procurement card purchases made by Commission employees and
- 4) other general administrative duties.

When an individual is interested in renting the auditorium, he/she contacts Ms. Greene who provides the necessary information, including the amount of rental fee. If the individual then decides to rent the auditorium, Ms. Greene prepares and sends the lease, collects the payment and remits the rental fee to the City Treasurer's Office.

Ms. Greene also maintains the time sheets for all Commission employees. According to Ms. Greene, she knows the hours worked by all employees and completes all employees' time sheets. Each morning, she calls the Maintenance Department to determine which employees reported for work. She then records 8 hours on each employee's time sheet unless she is told about vacation and/or sick leave to be recorded. Once the time sheets are completed, Ms. Greene records the hours onto the payroll software utilized by the City. However, the time sheets are not reviewed and approved by either the employees or their supervisor. An employee of the City's Finance Department reviews the hours submitted for reasonableness.

Valor, Inc. (Valor) is a non-profit organization established to restore mobile homes to become residences for low income or homeless veterans. The purpose stated in Valor's Articles of Incorporation is to provide assistance and shelter to veterans in need of assistance. Mr. Craig was an initial member of the Board of Directors and also served as Treasurer for the organization. As Treasurer, Mr. Craig's duties included maintaining all accounting records and preparing financial statements, collecting funds from individuals and the County, remitting rent and preparing utility payments to vendors and purchasing materials necessary to renovate the mobile homes.

According to a member of the Valor Board, all mobile homes for the program are located in Five Seasons Mobile Home Court (Five Seasons). Mr. Craig acted as landlord for the 5 properties owned by Valor. Therefore, as stated previously, he was responsible for all collections and all rent payments made to Five Seasons.

Mr. Craig also had responsibility for a checking account established under the name "Metro Vets Memorial Brick Fund Metro Vets CL Stand Down" (Stand Down). The purpose of this account was to purchase items needed for Stand Down events held. (A Stand Down is a veterans' function to help serve homeless veterans. Stand Down events provide clothing, food and opportunities to meet with potential employers.) The initial deposit of \$5,000.00 to the Stand Down account was provided by another veterans' organization located in Cedar Rapids for which Mr. Craig had no fiscal responsibility. According to minutes of an August 27, 2007 Stand Down/Valor financial meeting, Mr. Craig admitted he had occasionally used this account for Valor expenses.

In addition, in late August or early September 2007, the Commission learned Mr. Craig was billing time to Valor which appeared to coincide with time recorded on his City time sheets for Commission work. Because of the concerns identified, the Valor Board requested Mr. Craig provide a full accounting of all receipts and disbursements. The records subsequently submitted to a member of the Valor Board by Mr. Craig consisted of bank statements for a personal checking account which Mr. Craig had also been using for Valor. The attorney retained by Valor attempted to review the records for accuracy and completeness but he found them to be insufficient. The bank statements had been redacted and complete supporting documentation was not provided.

On September 11, 2007, a member of the Commission contacted the Office of Auditor of State to discuss the concerns identified. As a result, we performed the procedures detailed in the Auditor of State's Report for the period January 1, 2006 through October 31, 2007. The Commission placed Mr. Craig on paid administrative leave effective October 2, 2007 and he subsequently resigned effective March 1, 2008.

In addition, a member of the Valor Board met with representatives of the Linn County Sheriff's Office on October 22, 2007 to discuss the concerns regarding the checking account used to conduct Valor business.

Detailed Findings

These procedures identified \$15,200.18 of improper disbursements and improper payroll from January 1, 2006 through October 31, 2007. The \$10,178.57 of improper disbursements consists of:

- \$6,855.17 from the Stand Down checking account,
- \$2,995.87 from the personal checking account Mr. Craig used for Valor,
- \$303.25 of Menards purchases from the Valor account and
- \$24.28 of penalties on late utility payments from the Valor account.

The \$5,021.61 of improper payroll includes \$4,428.23 of payroll disbursements resulting from hours recorded but not worked by Mr. Craig in his capacity as Director of the Commission and \$593.38 for the City's FICA and IPERS contributions on the improper payroll disbursements. We were unable to determine if additional amounts may have been undeposited or improperly disbursed because adequate documentation was not available for all receipts and certain disbursements. All findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

IMPROPER DISBURSEMENTS

Stand Down Checking Account – In September 2006, the Stand Down checking account was established for the purpose of funding Stand Down events held in Cedar Rapids. Mr. Craig had primary responsibility for the disbursement of funds from this account. We obtained the bank statements, images of deposit slips and corresponding supporting documentation and images of checks for the period September 26, 2006 through August 24, 2007 (closing date of the account).

We reviewed each deposit to the Stand Down account to determine the source of the funds deposited. As stated previously, the initial deposit of \$5,000.00 was provided by another veterans' organization for which Mr. Craig had no fiscal responsibility. The remaining non-cash deposits were from the U.S. Department of Veterans Affairs. These funds were to be used for the purchase of items needed to hold a Stand Down event, such as clothing and food.

We also reviewed each disbursement from the Stand Down account to determine if it met the purposes originally intended or if it appeared personal in nature. During our review of disbursements, we discussed the specific vendors to which disbursements were made with a representative of the Linn County Department of Veterans Affairs who was also affiliated with Stand Down events. Based on that discussion, we classified the purchases as either personal or Stand Down depending on the vendor used. For example, the representative stated he would expect to see purchases from Wal-Mart but knew of no reason for purchases from Menards.

Our analysis of the Stand Down account has been included in **Exhibit B**. As illustrated by the **Exhibit**, we were able to determine only \$12,291.51 of the \$19,146.68 of disbursements from the account were Stand Down expenses. The remaining disbursements include \$1,140.17 of personal purchases and \$5,715.00 of cash withdrawals from the account. We are unable to determine the subsequent disposition of the cash withdrawals. However, according to minutes of a Stand Down/Valor financial meeting held August 27, 2007, Mr. Craig admitted the cash withdrawals had not been used to pay Stand Down expenses. A copy of the minutes from the financial meeting has been included in **Appendix 1**. The personal purchases and cash withdrawals are listed in **Exhibit C** and the total of \$6,855.17 is included in **Exhibit A**.

Also as illustrated by **Exhibit B**, in August 2007, a cash deposit of \$6,800.00 was made to the account. At the August 27th financial meeting, Mr. Craig also stated he had returned the money to the Stand Down checking account. Although we are unable to determine the source of the deposit, it appears to be the return of money Mr. Craig referred to at the August 27th financial meeting. As a result, the \$6,800.00 cash deposit is included in **Exhibit A** as a repayment.

Valor – In March 2006, Valor was incorporated as a non-profit organization for the purpose of renovating mobile homes to become residences for low-income or homeless veterans. Mr. Craig served as an initial Board Member as well as Treasurer for the organization. He was to establish a separate checking account to be used to track Valor receipts and disbursements. However, Mr. Craig used a personal checking account rather than establishing a separate account as directed. Therefore, Valor's receipts and disbursements were commingled with Mr. Craig's personal deposits and payments. As a result, the activity in the account had to be separated between Mr. Craig's personal transactions and Valor's business transactions.

As stated previously, because of the concerns identified, the Valor Board requested a full accounting of Valor receipts and disbursements from Mr. Craig in August 2007. He provided copies of redacted bank statements from his personal checking account used for Valor and copies of receipts and billing statements from vendors. In addition, in August 2007, Mr. Craig compiled financial statements and detailed disbursement listings for calendar years 2007 (to date) and 2006. As stated previously, the records were turned over to the attorney retained by

the Valor Board, but the attorney determined the documentation was insufficient and he was unable to complete his analysis. As a result, copies of the financial statements, detailed disbursement listings and vendor receipts were also provided for our review.

We obtained the bank statements for the account, images of deposit slips and images of checks for the period January 1, 2006 through October 31, 2007. As stated previously, the activity in the account had to be separated between Mr. Craig's personal transactions and Valor's business transactions. As a result, we reviewed each deposit to the account to determine if it was a personal deposit or a business deposit. We also reviewed each disbursement from the account to determine if it was to satisfy a business obligation of Valor or a personal obligation of Mr. Craig. Our analysis has been included in **Exhibit D**. As illustrated by the **Exhibit**, a substantial number of the transactions were Mr. Craig's personal activity. We used redacted bank statements and photocopies of check carbon copies by Mr. Craig and bank statements received from Wells Fargo to perform our analysis.

Valor's primary revenue sources include \$10,000.00 received from another veterans' organization, rent assistance for individual veterans received through the Linn County Department of Veterans Affairs and individual contributions. In addition, we identified certain individuals receiving assistance through Valor who endorsed their paychecks over to Mr. Craig to be used for rent and utilities. According to a member of the Valor Board, the Board was unaware of this practice and would not have approved had they been informed, especially for the 2 individuals who worked under Mr. Craig's supervision in his capacity as Director of the Commission.

Some of the funds collected were to be used to purchase materials for mobile home renovation at such vendors as Menards, Lowe's and Carver Ace Hardware. Once renovations were complete and a veteran had been placed in a home, funds from the account were to be used for rent payments to Five Seasons and utility payments to MidAmerican Energy and Alliant Energy.

Of the \$76,051.83 total deposits shown in **Exhibit D**, we determined \$20,341.54 was personal deposits and \$35,172.29 was Valor deposits. In addition, there were unidentified cash deposits of \$20,538.00. According to the member of the Valor Board currently responsible for Valor's recordkeeping, Valor does not receive cash donations or cash contributions from veterans or other individuals. He also stated he would not have expected Mr. Craig to have collected significant cash for Valor. We attempted to determine the source of the cash deposits by reviewing cash withdrawals from other bank accounts to which Mr. Craig had access, but we were unable to consistently associate cash withdrawals from the other accounts to cash deposits in the Valor account. Therefore, to be conservative, we included the entire \$20,538.00 as personal deposits. However, such a large amount of cash deposits for an individual is highly unusual for the period we reviewed.

Similarly, of the \$76,535.87 total disbursements shown in **Exhibit D**, we determined \$42,967.95 were personal purchases and \$32,176.42 were business purchases for Valor. In addition, there were cash withdrawals of \$1,391.50. Because sufficient supporting documentation was not provided, we were unable to determine the subsequent disposition of the cash withdrawals. Therefore, we included the \$1,391.50 as personal purchases. Mr. Craig provided vendor receipts which document payments made in cash. However, we were unable to determine whether the purchases were for Valor or to correlate the amounts with the cash withdrawals.

We also were unable to determine the composition of the beginning balance of \$484.04. Because Valor was not incorporated until March 2006, we considered the beginning balance to be composed of personal deposits. Because the account was closed during the time period of our investigation, the subsequent disposition of all funds could be determined. The \$2,995.87 of Valor deposits remaining after accounting for all Valor purchases, as shown in **Exhibit D**, appears to have been used for personal purchases by Mr. Craig. According to a member of the

Valor Board, Mr. Craig did not remit any funds when he separated from the organization. The remaining Valor deposits should have been used for Valor purposes or been given to the Valor Board. As a result, we have included the \$2,995.87 as improper disbursements in **Exhibit A**.

To classify the payments from the account, we reviewed all receipts and invoices provided by Mr. Craig, including those from Menards, MidAmerican Energy and Alliant Energy. We spoke with representatives from the vendors, as necessary, to help us determine whether the items purchased were for personal or business use. During our review of disbursements, we discussed the vendors which would be reasonable for Valor with a member of the Valor Board. We also considered the items purchased or address listed to determine if the purchase was for Valor's use or Mr. Craig's personal use.

In addition, we attempted to trace each Menards, MidAmerican Energy and Alliant Energy payment to the detailed disbursement listings prepared by Mr. Craig. As a result, we identified the following discrepancies:

- 1) Menards – We reviewed each Menards receipt provided by Mr. Craig and spoke with Menards' employees, as necessary, to identify specific items listed on the receipts. As a result, we identified \$18.54 of personal items included on the receipts which were included as a Valor disbursement in **Exhibit D**. We also identified \$599.91 of purchases which cleared the checking account but were not supported by a receipt. Because we were unable to determine if these purchases were for business or personal purposes, we included the \$599.91 in personal disbursements in **Exhibit D**. In addition, Mr. Craig submitted receipts for \$447.95 of purchases which were not included on the Valor disbursement listings. Therefore, we also included this amount in personal disbursements in **Exhibit D**. Because personal deposits were commingled with business deposits in the checking account, no amount is included on **Exhibit A** for the personal disbursements identified. However, the \$18.54 of personal items included on vendor receipts for Valor purchases are considered improper.

In addition, of the \$3,411.52 of purchases properly recorded on the Valor disbursement listings, \$465.06 of small tools and accessories were purchased. The majority of these items were disposable, such as paint rollers and saw blades. However, other items, such as pliers, wood chisels and drill bit sets, should have been placed in the custody of the Valor Board. According to a member of the Valor Board, none of these items were returned to Valor when Mr. Craig separated from the organization. Therefore, we considered the \$284.71 paid for these items to be improper.

A total of \$303.25 is included in **Exhibit A** for \$18.54 of personal purchases and \$284.71 for tools purchased but not returned to Valor.

- 2) MidAmerican Energy – Of the 19 payments identified for MidAmerican Energy, 4 were not payable on Valor properties. We confirmed with a representative of MidAmerican Energy those 4 payments were applied to the account for the property of Mr. Craig's stepson. Therefore, these payments were included in personal disbursements in **Exhibit D**. In addition, 2 of the 19 checks were issued for an amount greater than the amount due on the statements provided by Mr. Craig. We were unable to determine the subsequent disposition of the \$59.93 excess payment. Based on a review of the statements, the amount was not posted to the account of any of the 5 Valor properties. As a result, we also included this amount in personal disbursements in **Exhibit D**. Because personal deposits were commingled with business deposits in the checking account, no amount is included in **Exhibit A** for the personal disbursements identified.

Also, 1 payment applied to the Valor properties was not issued from the checking account normally used for Valor, but was made from another personal checking account held by Mr. Craig. In addition, the statements were missing for each of the 5 Valor properties for the period August 25, 2006 through September 24, 2006. However, it appears no payments were made during this time period. The payments

subsequently made were not listed on the Valor disbursement listing, thereby understating utility expenses for MidAmerican Energy on Valor's financial statement. In addition, Mr. Craig paid \$7.90 in penalties for late payments made for the 5 Valor properties.

- 3) Alliant Energy – Of the 17 payments identified for Alliant Energy, 2 were not payable on Valor properties and are included in personal disbursements in **Exhibit D**. In addition, 2 of the 17 checks were issued for an amount greater than the amount due on the statements provided by Mr. Craig. We were unable to determine the subsequent disposition of the \$98.18 excess payment. Based on a review of the statements, the amount was not posted to the account of any of the 5 Valor properties. As a result, we also included the amount in personal disbursements in **Exhibit D**. Because personal deposits were commingled with business deposits from the checking account, no amount is included on **Exhibit A** for the personal disbursements identified.

Of the 17 checks issued by Mr. Craig on behalf of Valor, 1 was not included on the Valor disbursement listings; therefore, utility expenses for Alliant Energy reported on the financial statements are understated. In addition, Mr. Craig did not provide statements for each of the 5 Valor properties for the period February 13, 2007 through March 12, 2007; however, it appears no payments were made during this time period.

Mr. Craig also paid total penalties of \$30.63 for late payments. However, for 2 months, Mr. Craig used the penalty allowance granted by Alliant Energy and received credit for \$14.25 of the \$30.63. As a result, Valor only paid \$16.38 of the penalties assessed. (The penalty allowance offered by Alliant Energy allows customers to be forgiven for a penalty assessed on their account. Customers can use the penalty allowance once each year.) In addition, for 1 month, Mr. Craig paid the total amount due twice for 1 unit. However, because we were not provided the next month's billing statement we were unable to determine if the unit had a credit balance in the subsequent month. We have no reason to believe Alliant Energy would not have properly credited the account for the overpayment.

A total of \$24.28 is included as improper in **Exhibit A** for the penalties paid to MidAmerican Energy of \$7.90 and to Alliant Energy of \$16.38.

As stated previously, we obtained and reviewed the Valor financial statements which had been prepared and provided by Mr. Craig for calendar years 2007 (through July 31, 2007) and 2006 to determine if the amounts could be supported and if the statements appeared complete and reasonable. However, supporting documentation was not provided for all amounts reported and the disbursement listings did not agree with the financial statements. See **Appendix 2** for an example of a financial statement submitted by Mr. Craig. We also identified several other discrepancies, as follows:

- 1) Calendar Year 2007 – When preparing the financial statement for calendar year 2007 (through July 31) in August 2007, Mr. Craig reported total receipts of \$11,670.00. However, we only identified \$9,440.41 for which we could determine the source of the deposit to the checking account. In addition, of the \$9,440.41, it appears \$6,720.41 was received on behalf of individuals who had not been approved to receive assistance by the Valor Board. However, the amount appears to have been used for rent and utility payments for Valor participants. Therefore, no amount has been included in **Exhibit A**.

We were unable to support \$756.00 of labor included in the financial statement. No time logs or other supporting documentation were provided. In addition, we did not identify any checks issued from the checking account used for Valor for payroll for Mr. Craig. Therefore, no amount has been included in **Exhibit A**.

Total rent expense reported was overstated by \$408.00. Mr. Craig reported \$100.00 more than the amount paid for 1 unit for January 2007. In addition, he reported June rent of \$308.00 for 1 unit even though the payment was not made from the checking account used for Valor. We were unable to determine the source of the payment.

A payment to Linn County in the amount of \$118.74 for property taxes on 1 unit was not included in the financial statement. In addition, we were unable to support \$58.04 of materials included in the financial statement. The disbursement listing indicated a purchase had been made at Lowe's. However, no receipt and/or check could be located for this amount.

- 2) Calendar Year 2006 – Mr. Craig provided 6 different copies of the same financial statement to a member of the Valor Board. We were unable to determine the reason for the differences among the 6 copies or which copy was the correct one, if any. In addition, Mr. Craig provided 4 different copies of the itemized disbursement listing. There were 14 transactions (mostly Menards purchases) totaling \$1,192.00 which were not included on the 1st copy but were included on the 2nd copy. There were also 4 rent transactions totaling \$1,192.00 which were not included on the 2nd copy but were included on the 1st copy.

When preparing the financial statement for calendar year 2006 in August 2007, Mr. Craig reported total receipts of \$17,290.00. However, we only identified \$13,697.25 for which we could determine the source of the deposit to the checking account. In addition, of the \$13,697.25, it appears \$5,730.72 was received on behalf of individuals who had not been approved to receive assistance by the Valor Board. However, the amount does appear to have been used for rent and utility payments for Valor participants. Therefore, no amount has been included in **Exhibit A**.

Mr. Craig included \$5,700.00 for labor in the financial statement, but the time records provided total \$5,931.00 through September 10, 2006. As a result, it appears labor expense is understated by at least \$231.00. However, we were unable to determine the accuracy of the time records.

In addition, Mr. Craig recorded \$2,384.00 more in rent payments than was included on the disbursement listing. However, he reported \$12,218.00 in the financial statement. The reported amount still exceeds the amount which cleared the checking account by \$1,208.00. In addition, for 8 transactions, Mr. Craig included a rent payment on the disbursement listing even though the individual had received rent credit for the month.

A \$75.00 fee paid to Five Seasons was not included in the financial statement. In addition, 2 application fees recorded as \$42.00 each were actually \$50.00 each. Therefore, total fees were understated by \$91.00.

We were unable to trace 33 transactions included on the disbursement listings to a check issued from the checking account used for Valor. For 10 transactions, Mr. Craig provided a copy of the receipt. However, we were unable to determine the source of the payment. Each reported disbursement did not clear the checking account and the receipt did not indicate cash payment.

Mr. Craig listed 6 transactions on the disbursement listings for the amount of the purchase prior to receiving cash back. For these transactions, the amount of cash back received by Mr. Craig was classified as personal in **Exhibit D**. In addition, for 5 transactions, the amount of the check exceeded the amount owed. We were unable to determine the subsequent disposition of the excess amount. Also, for 1 transaction, Mr. Craig provided a copy of the receipt, but the method of payment was not indicated and the amount did not clear the checking account.

In addition, there were 7 vendor receipts provided by Mr. Craig which we were unable to trace to either the 2007 or the 2006 disbursement listings. The receipts totaled \$149.09, however,

we determined 6 of the 7 receipts were paid in cash. Therefore, they are not included in **Exhibit D**. During our review of all supporting documentation, we identified 1 personal purchase made by Mr. Craig. However, the purchase only totaled \$1.39. Because the amount is so minimal, we have not included it in **Exhibit A**.

We also determined Mr. Craig was paying rent and utilities for 2 individuals residing in a unit at Hillside Mobile Home Park. However, according to a member of the Valor Board, all Valor properties are located at Five Seasons. Upon further review, it was determined the Hillside Mobile Home Park address was that of Mr. Craig's stepson. Therefore, all payments made for the Hillside Mobile Home Park property are classified as personal in **Exhibit D**.

Based on the amounts in the financial statements which could be supported, it appears Mr. Craig was collecting more than was needed for some properties while not collecting enough on others. **Table 1** summarizes the receipts and disbursements for the 5 properties located at Five Seasons for calendar years 2007 (through July 31) and 2006. The receipts shown in the **Table** only include the collections from the Linn County Department of Veterans Affairs and funds contributed by the individuals receiving assistance. As illustrated by the **Table**, these collections were not sufficient to cover the disbursements for either calendar year. Therefore, Valor had to rely on the funding received from other local non-profit veterans' organizations to renovate the mobile homes and to provide housing and other assistance to the veterans. In addition, as illustrated by **Exhibit D**, in total, Valor deposits exceeded Valor disbursements.

Table 1

Description	Lot #1	Lot #2	Lot #3	Lot #4	Lot #5	Total
<u>Calendar Year 2007*:</u>						
Receipts	\$ -	6,250.41	2,170.00	1,020.00	-	9,440.41
Disbursements	2,580.44	2,398.97	2,156.00	3,191.64	2,037.62	12,364.67
Difference	\$ (2,580.44)	3,851.44	14.00	(2,171.64)	(2,037.62)	(2,924.26)
<u>Calendar Year 2006:</u>						
Receipts	\$ 2,565.00	2,530.72	5,000.00	1,875.00	1,726.53	13,697.25
Disbursements	2,288.68	3,590.09	4,297.60	2,876.93	3,672.42	16,725.72
Difference	\$ 276.32	(1,059.37)	702.40	(1,001.93)	(1,945.89)	(3,028.47)

* Through July 31, 2007.

We confirmed all payments made to Mr. Craig by Linn County for rent assistance and determined all amounts had been properly deposited. We also obtained copies of the vouchers from the Linn County Department of Veterans Affairs and compared the listing of veterans approved to receive assistance by the Valor Board to those veterans for whom assistance was received from Linn County to determine propriety. Only 1 individual for whom Mr. Craig received assistance from Linn County was not on the approved list provided by the Valor Board. However, the funds received were used for the purposes intended. As a result, no amount has been included in **Exhibit A**.

In addition, we attempted to verify the tenants of Valor's 5 properties with Five Seasons in order to test the validity of the assistance received through Linn County. However, according to a representative of Five Seasons, only the individual on the paperwork for the mobile home could be confirmed. Of the individuals for which Mr. Craig received assistance, 6 did not match the tenants provided by Five Seasons. However, the Five Seasons representative also acknowledged more than 1 veteran may reside in a mobile home and she might not have all the names. Mr. Craig received the full amount of rent assistance from Linn County for each veteran regardless of whether 2 or more veterans resided together. According to a representative from the Linn County Department of Veterans Affairs, this conforms to the

established policy. Based on a review of the checking account used for Valor, it appears Mr. Craig used any “excess” received for rent and/or utility payments.

We confirmed all payments made to Five Seasons by Mr. Craig on behalf of Valor. All payments could be accounted for and rent was paid on each property each month.

Improper Payroll Disbursements to Mr. Craig – We obtained and reviewed copies of time records and time sheets from the City of Cedar Rapids, as well as copies of time records from Valor to determine if any hours overlapped. We received a schedule of Mr. Craig’s hours from the City’s Human Resources Department, prepared while performing its own analysis of potential conflicting hours. We also received copies of all time sheets from Ms. Greene and a copy of Mr. Craig’s payroll history from the Payroll Administrator within the City’s Finance Department. The time records provided to Valor by Mr. Craig did not extend beyond September 10, 2006. However, we were unable to determine what circumstances may have caused Mr. Craig to stop recording the hours worked for Valor. In addition, because time records after September 10, 2006 were not provided, we were unable to determine if there were any additional hours which overlapped after that date.

According to a representative of the Commission, Mr. Craig was expected to work from 7:30 a.m. to 3:30 p.m., Monday through Friday, which was confirmed by Ms. Greene. However, she also stated Mr. Craig would routinely start his day at 6:30 or 7:00 a.m. and leave at 2:00 or 2:30 p.m. According to a representative of the Commission, an alternate schedule was not discussed with or approved by the Commission.

Based on our review, we identified 162 hours over 90 days from January 1, 2006 through September 10, 2006 for which Mr. Craig’s time records show he worked for Valor during hours he was expected to be working for the Commission. **Exhibit E** summarizes the number of hours recorded on Mr. Craig’s City time sheet which overlap time recorded for Valor. According to a member of the Valor Board, Mr. Craig was not authorized to receive compensation for the time worked for Valor. The Valor by-laws state no director is to receive compensation except for minimal amounts for attending meetings and reimbursement of expenses. We did not identify any checks from the checking account used for Valor issued to Mr. Craig for payroll. Therefore, no amount has been included in **Exhibit A** for Valor payroll. However, as shown in **Exhibit E**, the overlapping hours resulted in \$4,428.23 of improper payroll disbursements issued to Mr. Craig from the City. In addition, as illustrated by **Exhibit E**, the City incurred \$593.38 for its contributions to FICA and IPERS on the improper payroll disbursements. As a result, a total of \$5,021.61 has been included in **Exhibit A**.

Procurement Card Purchases – We also obtained copies of all procurement card transactions initiated by Commission employees which were processed by the City’s Finance Department to determine if the purchases were appropriate. As stated previously, Ms. Greene was responsible for providing the accounting code for each transaction. Ms. Greene’s coding and all supporting documentation was then submitted to the City’s Finance Department for its review and to process the payment. We did not identify any procurement card purchases which appeared improper.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Cedar Rapids Veterans Memorial Commission and Valor, Inc. to process collections, disbursements and payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Commission's and Valor's internal controls.

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The current administrative staff for the Commission has control over each of the following areas:
- (1) City Hall auditorium rental – obtaining the lease agreements, collecting the payments and remitting the collections to the City Treasurer's Office.
 - (2) Payroll – preparation of time sheets for all employees and submission of hours to the City's Finance Department.

In addition, the former Treasurer of Valor had responsibility for all accounting and recordkeeping functions. He maintained the checking account, collected and deposited all receipts and remitted all payments to vendors. There is no formal approval process and the Valor Board neither reviewed nor approved the transactions processed. The former Treasurer was also responsible for purchasing materials used in the renovation of the mobile home properties.

Mr. Craig also had primary check-writing responsibility for another separate local non-profit veterans' organization.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the duties within each function listed above should be segregated between the employees and the members of the Commission. In addition, employees should complete their own time sheets, which should then be reviewed and approved by their supervisor. Also, a reconciliation should be performed between the events held and the rental revenue collected.

For Valor, bank reconciliations should be prepared, or reviewed and approved, by an independent individual. In addition, all Valor disbursements should be presented to the Valor Board for approval, as well as monthly financial statements. Original supporting documentation should be required for all disbursements and formal accounting procedures should be established.

Dual signatures should be considered for checks written, as well as review and approval of all disbursements by a Board Member or other appropriate individual.

- (B) Valor Accounting Policies/Board Monitoring – Formal policies and procedures have not been established, including preparation and reconciliation of financial statements. The former Treasurer prepared year-end financial statements and disbursement listings for Valor. However, we noted several discrepancies with the information provided. In addition, supporting documentation was not

maintained or provided for all amounts reported on the financial statements and the disbursements listings did not reconcile to the financial statements.

Recommendation – The Valor Board should develop formal policies and procedures, including preparation and reconciliation of financial statements. In addition, the Board should review and approve the financial statements. Supporting documentation should be maintained for all receipts and disbursements reported.

- (C) Commingling of Funds – The former Treasurer for Valor was to establish a separate checking account to be used to track receipts and disbursements. Instead, he commingled Valor receipts and disbursements in his personal checking account. Both personal and Valor business were conducted from the account. It appears \$2,995.87 of Valor funds were used for personal expenses.

Recommendation – A separate checking account should be established to track Valor receipts and disbursements. An individual independent of the accounting functions should reconcile or otherwise review the account.

- (D) Outside Employment – The former Director also served as Treasurer for another organization. We identified 162 hours recorded for Valor which overlapped with hours recorded for the Commission.

Recommendation – The Commission should ensure outside employment held by employees will not conflict with their position with the Commission. In addition, the Commission should ensure all outside positions held by employees conform with the City’s policy on outside employment.

- (E) Penalties on Utility Payments – We identified \$24.28 of penalties which were paid to either MidAmerican Energy or Alliant Energy for late payment on utility bills.

Recommendation – The Valor Board should ensure all payments are made in a timely manner so as not to incur penalties and/or interest.

- (F) Approved Participants – We identified an individual receiving assistance through Valor which was not on the listing of approved veterans provided by the Valor Board. However, it appears the funds received for the individual were used for rent and/or utilities.

Recommendation – The Valor Board should ensure financial statements provided have sufficient detail to show which individuals are receiving assistance and the amount of assistance received for each participant. The individuals listed should then be compared to the individuals approved by the Board.

- (G) Labor Expense – The former Treasurer for Valor maintained time logs, but the logs did not extend beyond September 10, 2006.

Recommendation – The Valor Board should ensure all individuals record the hours spent on Valor projects. The time records should then be used as a monitoring tool. In addition, because Valor is a non-profit organization, the time records could be used to demonstrate level of effort.

**Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.**

Exhibits

**Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.**

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Summary of Findings
January 1, 2006 through October 31, 2007

Description	Exhibit/ Page Number	Amount
Improper Disbursements:		
Stand Down disbursements	Exhibit C	\$ 6,855.17
Valor disbursements	Exhibit D	2,995.87
Menards purchases*	Page 9	303.25
Penalties on late utilities payments*	Page 10	24.28
Total improper disbursements		<u>10,178.57</u>
Improper payroll	Exhibit E	5,021.61
Total improper disbursements and improper payroll		<u>15,200.18</u>
Less: Repayment by Gary Craig	Page 7	<u>(6,800.00)</u>
Net total		<u><u>\$ 8,400.18</u></u>

* - Paid from Valor account.

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Bank Analysis – Stand Down Checking Account
January 1, 2006 through October 31, 2007

Bank Statement Date	Beginning Balance	Deposits		Per Statement
		Stand Down	Cash	
09/29/06	\$ -	5,704.03	-	5,704.03
10/31/06	5,704.03	5,332.07	-	5,332.07
11/30/06	6,501.48	-	300.00	300.00
12/29/06	5,552.38	470.58	-	470.58
01/31/07	4,838.53	-	-	-
02/28/07	3,238.53	-	-	-
03/30/07	2,436.53	-	-	-
04/30/07	1,935.03	-	210.00	210.00
05/31/07	1,336.03	-	-	-
06/30/07	534.03	245.00	-	245.00
07/31/07	466.53	-	-	-
08/31/07	466.53	85.00	6,800.00	6,885.00
		<u>\$ 11,836.68</u>	<u>7,310.00</u>	<u>19,146.68</u>

Disbursements				Deposits Over(Under) Disbursements			Balance
Personal	Stand Down	Cash	Per Statement	Personal	Stand Down	Cash	Per Statement
-	-	-	-	-	5,704.03	-	5,704.03
805.74	3,708.88	20.00	4,534.62	(805.74)	1,623.19	(20.00)	6,501.48
150.00	499.10	600.00	1,249.10	(150.00)	(499.10)	(300.00)	5,552.38
184.43	1,000.00		1,184.43	(184.43)	(529.42)	-	4,838.53
-	-	1,600.00	1,600.00	-	-	(1,600.00)	3,238.53
-	-	802.00	802.00	-	-	(802.00)	2,436.53
-	-	501.50	501.50	-	-	(501.50)	1,935.03
-	-	809.00	809.00	-	-	(599.00)	1,336.03
-	-	802.00	802.00	-	-	(802.00)	534.03
-	30.00	282.50	312.50	-	215.00	(282.50)	466.53
-	-	-	-	-	-	-	466.53
-	7,053.53	298.00	7,351.53	-	(6,968.53)	6,502.00	-
1,140.17	12,291.51	5,715.00	19,146.68	(1,140.17)	(454.83)	1,595.00	

Exhibit C

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Personal Purchases and Cash Withdrawals from Stand Down Checking Account
January 1, 2006 through October 31, 2007

Date	Check Number	Description	Amount
Personal purchases:			
10/03/06	^^	Menards	\$ 383.52
10/04/06	^^	Menards	207.74
10/24/06	##	Staples	21.79
10/24/06	##	Menards	52.21
10/26/06	##	Menards	140.48
10/27/06	^^	American Home Rentals	150.00
10/13/06	^^	Gary Craig	184.43
Subtotal			<u>1,140.17</u>
Cash withdrawals:			
10/23/06	##	Withdrawal	20.00
11/11/06	##	Withdrawal	200.00
11/13/06	##	ATM Withdrawal	200.00
11/15/06	##	ATM Withdrawal	200.00
01/03/07	##	ATM Withdrawal	200.00
01/04/07	##	ATM Withdrawal	200.00
01/09/07	##	ATM Withdrawal	200.00
01/10/07	##	ATM Withdrawal	200.00
01/16/07	##	ATM Withdrawal	200.00
01/16/07	##	ATM Withdrawal	200.00
01/23/07	##	ATM Withdrawal	200.00
01/26/07	##	ATM Withdrawal	200.00
02/05/07	##	ATM Withdrawal	200.00
02/08/07	##	ATM Withdrawal	200.00
02/09/07	##	ATM Withdrawal	200.00
02/16/07	##	ATM Withdrawal	202.00
03/09/07	##	ATM Withdrawal	200.00
03/14/07	##	ATM Withdrawal	200.00
03/15/07	##	ATM Withdrawal	101.50
04/02/07	##	ATM Withdrawal	101.50
04/05/07	##	ATM Withdrawal	102.00
04/10/07	##	ATM Withdrawal	202.00
04/12/07	##	ATM Withdrawal	100.00
04/13/07	##	ATM Withdrawal	160.00
04/16/07	##	ATM Withdrawal	82.00

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Personal Purchases and Cash Withdrawals from Stand Down Checking Account
January 1, 2006 through October 31, 2007

Date	Check Number	Description	Amount
04/26/07	##	ATM Withdrawal	61.50
05/03/07	##	ATM Withdrawal	200.00
05/04/07	##	ATM Withdrawal	200.00
05/09/07	##	ATM Withdrawal	200.00
05/10/07	##	ATM Withdrawal	202.00
06/04/07	##	ATM Withdrawal	61.50
06/08/07	##	ATM Withdrawal	61.50
06/14/07	##	ATM Withdrawal	40.00
06/21/07	##	ATM Withdrawal	26.50
06/25/07	##	ATM Withdrawal	41.50
06/25/07	##	ATM Withdrawal	51.50
08/13/07	##	ATM Withdrawal	42.00
08/13/07	##	ATM Withdrawal	151.50
08/17/07	##	ATM Withdrawal	41.50
08/20/07	##	ATM Withdrawal	21.50
08/23/07	##	ATM Withdrawal	41.50
Subtotal			<u>5,715.00</u>
Total			<u>\$ 6,855.17</u>

^^ - Stand Down did not have pre-numbered checks. As a result, there is no check number for these transactions.

- Transaction processed using a debit card; therefore, there is no check number.

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Bank Analysis – Valor, Inc. Checking Account
January 1, 2006 through October 31, 2007

Bank Statement Date	Beginning Balance	Deposits			Per Statement
		Personal	Valor	Cash	
01/06/06	\$ 484.04	410.82	267.00	370.00	1,047.82
02/06/06	579.86	719.34	5,425.00	336.00	6,480.34
03/06/06	2,834.93	286.02	925.00	550.00	1,761.02
04/06/06	2,324.53	1,066.11	3,567.00	3,290.00	7,923.11
05/04/06	5,474.05	597.87	1,525.00	360.00	2,482.87
06/06/06	2,660.19	491.13	4,025.00	1,005.00	5,521.13
07/07/06	2,415.13	10,310.61	800.00	1,660.00	12,770.61
08/04/06	1,842.69	755.60	500.00	740.00	1,995.60
09/07/06	1,429.27	388.28	2,000.00	1,060.00	3,448.28
10/05/06	1,481.19	439.61	300.00	820.00	1,559.61
11/06/06	925.57	3,311.88	2,534.05	1,260.00	7,105.93
12/06/06	1,356.59	907.25	2,610.21	542.00	4,059.46
01/05/07	2,590.92	203.80	1,837.62	880.00	2,921.42
02/06/07	1,386.93	300.79	1,269.94	2,205.00	3,775.73
03/06/07	1,666.24	-	1,980.25	1,370.00	3,350.25
04/05/07	1,712.35	55.84	2,445.77	780.00	3,281.61
05/04/07	1,857.45	44.94	1,280.45	1,410.00	2,735.39
06/06/07	1,180.27	44.89	890.00	1,780.00	2,714.89
07/06/07	18.32	-	650.00	120.00	770.00
08/06/07	634.55	-	340.00	-	340.00
09/07/07	11.52	-	-	-	-
10/04/07 **	3.52	6.76	-	-	6.76
11/06/07	10.28	-	-	-	-
		<u>\$ 20,341.54</u>	<u>35,172.29</u>	<u>20,538.00</u>	<u>76,051.83</u>

** - Although requested from Wells Fargo, the bank did not provide this bank statement.

- Valor's disbursements were identified by tracing the checks and other withdrawals per the bank statements to the disbursement listing prepared by Mr. Craig. In addition, we reviewed available supporting documentation to verify if the disbursement was actually for Valor. We also split certain disbursements between personal and Valor based on the available supporting documentation.

Disbursements				Deposits Over(Under) Disbursements			Balance
Personal	Valor[#]	Cash	Per Statement	Personal	Valor	Cash	Per Statement
932.00	-	20.00	952.00	(521.18)	267.00	350.00	579.86
2,777.63	1,324.14	123.50	4,225.27	(2,058.29)	4,100.86	212.50	2,834.93
1,606.99	624.43	40.00	2,271.42	(1,320.97)	300.57	510.00	2,324.53
3,120.74	1,568.85	84.00	4,773.59	(2,054.63)	1,998.15	3,206.00	5,474.05
4,092.15	1,024.58	180.00	5,296.73	(3,494.28)	500.42	180.00	2,660.19
2,269.51	3,496.68	-	5,766.19	(1,778.38)	528.32	1,005.00	2,415.13
11,268.83	2,034.22	40.00	13,343.05	(958.22)	(1,234.22)	1,620.00	1,842.69
1,570.96	638.06	200.00	2,409.02	(815.36)	(138.06)	540.00	1,429.27
1,310.36	2,086.00	-	3,396.36	(922.08)	(86.00)	1,060.00	1,481.19
1,253.15	842.08	20.00	2,115.23	(813.54)	(542.08)	800.00	925.57
4,571.60	1,923.31	180.00	6,674.91	(1,259.72)	610.74	1,080.00	1,356.59
737.15	2,087.98	-	2,825.13	170.10	522.23	542.00	2,590.92
1,672.86	2,072.55	380.00	4,125.41	(1,469.06)	(234.93)	500.00	1,386.93
1,415.41	2,081.01	-	3,496.42	(1,114.62)	(811.07)	2,205.00	1,666.24
1,764.14	1,540.00	-	3,304.14	(1,764.14)	440.25	1,370.00	1,712.35
567.68	2,568.83	-	3,136.51	(511.84)	(123.06)	780.00	1,857.45
1,036.36	2,376.21	-	3,412.57	(991.42)	(1,095.76)	1,410.00	1,180.27
627.12	3,125.72	124.00	3,876.84	(582.23)	(2,235.72)	1,656.00	18.32
8.00	145.77	-	153.77	(8.00)	504.23	120.00	634.55
347.03	616.00	-	963.03	(347.03)	(276.00)	-	11.52
8.00	-	-	8.00	(8.00)	-	-	3.52
-	-	-	-	6.76	-	-	10.28
10.28	-	-	10.28	(10.28)	-	-	-
42,967.95	32,176.42	1,391.50	76,535.87	(22,626.41)	2,995.87	19,146.50	

Exhibit E

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Improper Payroll Disbursements to Gary Craig
January 1, 2006 through October 31, 2007

<u>Date</u>	<u>Per City Records</u>		<u>Per Valor's Records</u>		<u>Hours of Overlap</u>	<u>City Hourly Rate</u>	<u>Improper City Wages</u>
	<u>Type**</u>	<u>Hours Worked#</u>	<u>Hours Worked</u>	<u>Time Worked</u>			
01/02/06	H	8.00	8.00	8:00a.m.-4:00p.m.	-	\$27.29	-
01/03/06	R	8.00	4.00	12:30p.m.-4:30p.m.	3.00	27.29	81.87
01/04/06	R	8.00	4.00	12:30p.m.-4:30p.m.	3.00	27.29	81.87
01/05/06	R	6.00	4.00	12:30p.m.-4:30p.m.	1.00	27.29	27.29
	F	2.00					
01/06/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
01/09/06	R	8.00	2.00	3:30p.m.-5:30p.m.	-	27.29	-
01/10/06	R	8.00	5.00	12:00p.m.-5:00p.m.	3.50	27.29	95.52
01/11/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
01/12/06	R	8.00	4.50	12:30p.m.-5:00p.m.	3.00	27.29	81.87
01/13/06	R	8.00	3.50	1:30p.m.-5:00p.m.	2.00	27.29	54.58
01/16/06	R	8.00	3.50	1:30p.m.-5:00p.m.	2.00	27.29	54.58
01/17/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
01/18/06	R	8.00	2.50	2:30p.m.-5:00p.m.	1.00	27.29	27.29
01/19/06	R	5.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
	F	3.00					
01/20/06	R	8.00	2.50	2:00p.m.-4:30p.m.	1.50	27.29	40.94
01/23/06	R	5.00	6.50	9:00a.m.-3:30p.m.	3.50	27.29	95.52
	F	3.00					
01/24/06	R	8.00	4.00	12:00p.m.-4:00p.m.	3.50	27.29	95.52
01/25/06	R	5.00	5.00	12:00p.m.-5:00p.m.	0.50	27.29	13.65
	F	3.00					
01/26/06	R	8.00	4.00	12:00p.m.-4:00p.m.	3.50	27.29	95.52
01/27/06	F	8.00	9.00	7:00a.m.-4:00p.m.	-	27.29	-
01/30/06	R	8.00	3.00	2:00p.m.-5:00p.m.	1.50	27.29	40.94
01/31/06	R	5.00	6.00	11:00a.m.-5:00p.m.	1.50	27.29	40.94
	F	3.00					
02/01/06	R	8.00	3.50	2:00p.m.-5:30p.m.	1.50	27.29	40.94
02/02/06	R	5.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
	F	3.00					

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Improper Payroll Disbursements to Gary Craig
January 1, 2006 through October 31, 2007

<u>Date</u>	<u>Per City Records</u>		<u>Per Valor's Records</u>		<u>Hours of Overlap</u>	<u>City Hourly Rate</u>	<u>Improper City Wages</u>
	<u>Type**</u>	<u>Hours Worked[#]</u>	<u>Hours Worked</u>	<u>Time Worked</u>			
02/03/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
02/06/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
02/07/06	R F	5.00 3.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
02/08/06	R	8.00	4.00	12:00p.m.-4:00p.m.	3.50	27.29	95.52
02/09/06	R F	5.00 3.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
02/10/06	R	8.00	2.50	2:00p.m.-4:30p.m.	1.50	27.29	40.94
02/13/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
02/14/06	R F	6.00 2.00	5.00	12:00p.m.-5:00p.m.	1.50	27.29	40.94
02/15/06	F	8.00	5.50	11:00a.m.-4:30p.m.	-	27.29	-
02/16/06	R F	4.00 4.00	6.00	11:00a.m.-5:00p.m.	0.50	27.29	13.65
02/17/06	R	8.00	3.00	2:00p.m.-5:00p.m.	1.50	27.29	40.94
02/20/06	H	8.00	10.00	7:00a.m.-5:00p.m.	-	27.29	-
02/21/06	R	8.00	4.50	12:30p.m.-5:00p.m.	3.00	27.29	81.87
02/22/06	R F	5.00 3.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
02/23/06	R F	5.00 3.00	4.50	12:00p.m.-4:30p.m.	0.50	27.29	13.65
02/24/06	R	8.00	2.00	9:30a.m.-11:30a.m.	2.00	27.29	54.58
02/27/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
02/28/06	R F	5.00 3.00	5.00	12:00p.m.-5:00p.m.	0.50	27.29	13.65
03/01/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
03/02/06	R	8.00	2.50	9:00a.m.-11:30a.m.	2.50	27.29	68.23
03/03/06	R	8.00	4.50	1:00p.m.-5:30p.m.	2.50	27.29	68.23
03/06/06	R	8.00	3.00	2:00p.m.-5:00p.m.	1.50	27.29	40.94
03/07/06	R	8.00	3.00	1:00p.m.-4:00p.m.	2.50	27.29	68.23

Exhibit E

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Improper Payroll Disbursements to Gary Craig
January 1, 2006 through October 31, 2007

<u>Date</u>	<u>Per City Records</u>		<u>Per Valor's Records</u>		<u>Hours of Overlap</u>	<u>City Hourly Rate</u>	<u>Improper City Wages</u>
	<u>Type**</u>	<u>Hours Worked#</u>	<u>Hours Worked</u>	<u>Time Worked</u>			
03/08/06	R	8.00	3.00	2:00p.m.-5:00p.m.	1.50	27.29	40.94
03/09/06	F	8.00	4.00	9:00a.m.-1:00p.m.	-	27.29	-
03/10/06	F	8.00	7.50	7:00a.m.-2:30p.m.	-	27.29	-
03/13/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
03/14/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
03/15/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
03/16/06	R	8.00	4.00	12:30p.m.-4:30p.m.	3.00	27.29	81.87
03/17/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
03/20/06	R	8.00	3.00	1:30p.m.-4:30p.m.	2.00	27.29	54.58
03/21/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
03/22/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
03/23/06	R	8.00	4.00	12:30p.m.-4:30p.m.	3.00	27.29	81.87
03/27/06	R	8.00	2.00	9:30a.m.-11:30a.m.	2.00	27.29	54.58
03/28/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
03/29/06	R	8.00	2.50	2:00p.m.-4:30p.m.	1.50	27.29	40.94
03/30/06	F	8.00	8.00	8:00a.m.-4:00p.m.	-	27.29	-
03/31/06	R	8.00	2.50	10:00a.m.-12:30p.m.	2.50	27.29	68.23
04/03/06	R	8.00	2.50	2:00p.m.-4:30p.m.	1.50	27.29	40.94
04/04/06	R	8.00	2.00	9:00a.m.-11:00a.m.	2.00	27.29	54.58
04/05/06	R	8.00	2.00	3:00p.m.-5:00p.m.	0.50	27.29	13.65
04/06/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
04/07/06	R	8.00	3.00	2:00p.m.-5:00p.m.	1.50	27.29	40.94
04/11/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
04/12/06	R	5.00	2.50	2:00p.m.-4:30p.m.	-	27.29	-
	F	3.00					
04/14/06	H	8.00	5.00	7:00a.m.-12:00p.m.	-	27.29	-
04/17/06	R	8.00	2.00	2:00p.m.-4:00p.m.	1.50	27.29	40.94
04/18/06	R	6.00	4.50	12:00p.m.-4:30p.m.	1.50	27.29	40.94
	F	2.00					

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Improper Payroll Disbursements to Gary Craig
January 1, 2006 through October 31, 2007

<u>Date</u>	<u>Per City Records</u>		<u>Per Valor's Records</u>		<u>Hours of Overlap</u>	<u>City Hourly Rate</u>	<u>Improper City Wages</u>
	<u>Type**</u>	<u>Hours Worked#</u>	<u>Hours Worked</u>	<u>Time Worked</u>			
04/19/06	R	8.00	3.00	1:00p.m.-4:00p.m.	2.50	27.29	68.23
04/20/06	R	8.00	4.50	11:00a.m.-3:30p.m.	4.50	27.29	122.81
04/24/06	R	8.00	1.50	3:00p.m.-4:30p.m.	0.50	27.29	13.65
04/25/06	R F	4.00 4.00	4.00	12:30p.m.-4:30p.m.	-	27.29	-
04/26/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
04/27/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
04/28/06	R F	4.00 4.00	5.00	12:00p.m.-5:00p.m.	-	27.29	-
05/02/06	R F	4.00 4.00	4.00	11:30a.m.-3:30p.m.	-	27.29	-
05/03/06	F	8.00	6.00	7:00a.m.-1:00p.m.	-	27.29	-
05/09/06	R F	6.00 2.00	3.50	12:00p.m.-3:30p.m.	1.50	27.29	40.94
05/10/06	R	8.00	3.50	1:00p.m.-4:30p.m.	2.50	27.29	68.23
05/18/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
05/23/06	R	8.00	4.50	12:00p.m.-4:30p.m.	3.50	27.29	95.52
05/24/06	F	8.00	2.00	2:30p.m.-4:30p.m.	-	27.29	-
05/25/06	R	8.00	5.00	12:00p.m.-5:00p.m.	3.50	27.29	95.52
05/30/06	F	8.00	6.00	8:00a.m.-2:00p.m.	-	27.29	-
05/31/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
06/01/06	R	8.00	2.00	2:30p.m.-4:30p.m.	1.00	27.29	27.29
06/02/06	R F	5.00 3.00	2.00	2:00p.m.-4:00p.m.	-	27.29	-
06/05/06	R	8.00	1.00	3:00p.m.-4:00p.m.	0.50	27.29	13.65
06/06/06	R	8.00	1.00	3:00p.m.-4:00p.m.	0.50	27.29	13.65
06/08/06	R	8.00	1.50	2:00p.m.-3:30p.m.	1.50	27.29	40.94
06/09/06	R	8.00	1.50	5:30p.m.-7:00p.m.	-	27.29	-
06/12/06	R	8.00	1.50	3:00p.m.-4:30p.m.	0.50	27.29	13.65

Exhibit E

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Improper Payroll Disbursements to Gary Craig
January 1, 2006 through October 31, 2007

Date	Per City Records		Per Valor's Records		Hours of Overlap	City Hourly Rate	Improper City Wages
	Type**	Hours Worked#	Hours Worked	Time Worked			
06/16/06	R	8.00	1.50	5:00p.m.-6:30p.m.	-	27.29	-
06/20/06	R	8.00	1.50	2:00p.m.-3:30p.m.	1.50	27.29	40.94
06/23/06	R	8.00	2.00	5:00p.m.-7:00p.m.	-	27.29	-
06/27/06	R	8.00	2.50	3:00p.m.-5:30p.m.	0.50	27.29	13.65
06/30/06	R	8.00	3.50	3:00p.m.-6:30p.m.	0.50	27.29	13.65
07/04/06	H	8.00	2.50	12:00p.m.-2:30p.m.	-	27.98	-
07/06/06	F	8.00	2.50	3:00p.m.-5:30p.m.	-	27.98	-
07/10/06	R	8.00	2.00	5:00p.m.-7:00p.m.	-	27.98	-
07/11/06	R	8.00	3.00	3:00p.m.-6:00p.m.	0.50	27.98	13.99
07/12/06	R	8.00	2.00	9:30a.m.-11:30a.m.	2.00	27.98	55.96
07/14/06	R	8.00	2.00	4:00p.m.-6:00p.m.	-	27.98	-
07/18/06	R	8.00	2.00	3:30p.m.-5:30p.m.	-	27.98	-
07/20/06	R	8.00	2.50	4:00p.m.-6:30p.m.	-	27.98	-
07/21/06	R	8.00	3.50	3:00p.m.-6:30p.m.	0.50	27.98	13.99
07/24/06	R	8.00	2.50	2:00p.m.-4:30p.m.	1.50	27.98	41.97
07/26/06	R	8.00	3.50	2:00p.m.-5:30p.m.	1.50	27.98	41.97
08/02/06	R	8.00	1.50	3:00p.m.-4:30p.m.	0.50	27.98	13.99
08/15/06	R	8.00	4.00	8:00a.m.-12:00p.m.	4.00	27.98	111.92
08/30/06	F	8.00	4.00	8:00a.m.-12:00p.m.	-	27.98	-
08/31/06	F	8.00	4.00	8:00a.m.-12:00p.m.	-	27.98	-
09/04/06	H	8.00	2.50	8:00a.m.-10:30a.m.	-	27.98	-
		<u>952.00</u>	<u>418.50</u>		<u>162.00</u>		<u>4,428.23</u>
							City's FICA contributions (7.65%) 338.76
							City's IPERS contributions (5.75%) 254.62
							<u>\$ 5,021.61</u>

** - H = Holiday, R = Regular and F = Flex Leave.

- The Commission's expectation was 7:30 a.m. to 3:30 p.m., Monday through Friday.

Note: Only the days on which Mr. Craig recorded hours to both the City of Cedar Rapids and Valor are included.

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Senior Auditor II
Melissa J. Knoll-Speer, Senior Auditor



Tamera S. Kusian, CPA
Deputy Auditor of State

**Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission and Valor, Inc.**

Appendices

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Copy of Minutes of a Stand Down/Valor Financial Meeting

Stand Down/Valor Financial Meeting

August 27, 2007

Present:

Don Tyne
John Toomey
Jim Bruner
Sarah Else
Al Lenway
George Hamman
Lori Swales
Brian Brooks
Tom Watson
Steve Tucker
Dawn Jindrich
Gary Craig
Phillis Pittman
Linda Schutz

Don called the meeting to order and started out by saying that Linn County Commission of Veteran Affairs wants to save the integrity of the Stand Down and our VA office in the matter of the funding that was provided as seed money for the 2006 Stand Down.

On September 2006 the 1st deposit was made into a stand down account by a \$5000.00 check from Al Lenway and the Area Metro Veterans Council. This is a 501 3 C account.

Gary Craig questioned "What is the problem with this account, I explained it to you last Friday?"

He stated, " I informed Al Lenway, George Hamman about the use of the money for the Valor program. They informed the Metro Veterans Council. Gary stated he put the money back into the account there should not be any more problem.

Don shared the bank statements with members on the 501 3C account from Farmers State Bank. (See attachments).

Sarah Else said Gary, "How did this account go from \$5000.00 to \$300.00.

Gary replies that Brian and Lori should not be in the meeting this should have nothing to do with them.

Brian Brooks says, "It has everything to do with VA when money is missing from the account set up from the Stand Down that the VA Stand Down grant paid into. \$1800.00 is missing from the rent of the Veterans Memorial Colusiem it was deposited in the account from reimbursement from VA Grant.

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Copy of Minutes of a Stand Down/Valor Financial Meeting

Sarah Else, "What form were you using to pay the Valor bills from this account?" Gary handed Sarah the check book carbons from his account. Sarah looked them over and said that there are many large checks written from this account she counted about 53.

Gary Craig said, "I overstepped my bounds and I should of asked for help, I'm not a good bookkeeper. Sarah questioned the \$200.00 debit amounts. Gary replied that that was the maximum he could take out with the debit card from the 501 3 C account. Gary said he would pay Valor with those \$200.00 debits. Gary told them they needed to close the Valor program it was having problems.

Al Lenway said that Tom Watson asked him about the \$5000.00 and said that Gary hadn't done any accounting and that he put it into his own account. Gary said he didn't think about it ,it was very stressful trying to keep track of this.

Don brought up the issue of rent payments made to Gary Craig to the Valor program. Gary replied that these went to a personal account. Sarah asked if we can look at the account that these payments went to. Gary replied he has the sheets that they are recorded on.

Tom Watson said we need to turn this over to someone that can audit these accounts.

Al Lenway said that he is the only person on the Brick Fund 5013C account Tom replied you need 2 people on a non profit account.

Steve Tucker and Dawn Jindrich came into the meeting. Sarah Else explains to them what we are discussing.

Steve Tucker said the County does not want to pursue anything with the investigation and this does not involve the county in any way. He suggested that a city attorney be contacted and that they would possibly have McGladrey and Pullen their attorneys take a look at accounts.

Members agreed they would discuss this with a city attorney and pursue an audit.

Steve Tucker and Brian Brooks gave examples of government employees that miss appropriated funding and lost their jobs.

Al Lenway stated he didn't see any problem with the money or accounts they got their money back and everything is fine.

Group was dismissed

Report on Special Investigation of the
Cedar Rapids Veterans Memorial Commission
and Valor, Inc.

Copy of a Financial Statement Submitted by Gary Craig

2007 ACTUALS

	#14	LOT RENT #19	LOT RENT #69	LOT RENT #72	LOT RENT #76	LOT RENT
JAN	\$ 510.00	\$ 308.00	\$ 310.00	\$ 308.00	\$ 400.00	\$ 308.00
FEB	\$ 510.00	\$ 308.00	\$ 310.00	\$ 308.00	\$ 400.00	\$ 308.00
MAR	\$ 400.00	\$ 308.00	\$ 310.00	\$ 308.00	\$ 400.00	\$ 308.00
APR	\$ 400.00	\$ 308.00	\$ 310.00	\$ 308.00	\$ 400.00	\$ 308.00
MAY	\$ 400.00	\$ 308.00	\$ 310.00	\$ 308.00	\$ 400.00	\$ 308.00
JUNE	\$ 150.00	\$ 800.00	\$ 310.00	\$ 308.00	\$ 310.00	\$ 308.00
JULY	\$ 150.00	\$ 200.00	\$ 310.00	\$ 308.00	\$ 310.00	\$ 308.00
AUG	\$ -	\$ -	\$ 50.00	\$ -	\$ 100.00	
SEPT						
OCT						
NOV						
DEC						
TOTAL	\$ 2,220.00	\$ 1,540.00	\$ 2,170.00	\$ 2,156.00	\$ 2,220.00	\$ 1,848.00
H-PAY	\$ 300.00	\$ 1,000.00	\$ 50.00		\$ 100.00	

RECEIPTS \$ 11,670.00
EXPENDED \$ 13,555.84
SUB-TOT \$ (1,885.84)
2006 BAL \$ (3,095.13)
SUB-TOT \$ (4,980.97)
HOME PAY \$ 1,450.00
TOTAL \$ (3,530.97)

\$ 9,240.00 LOT RENT
\$ 1,174.30 ELECTRIC
\$ 10,414.30 SUB-TOT
\$ 2,327.50 GAS
\$ 12,741.80 SUB-TOT
\$ 58.04 MATERIALS
\$ 12,799.84 SUB-TOT
\$ 756.00 LABOR
\$ 13,555.84 TOTAL

84 HRS AT \$9.00/PER HOUR