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NEWS RELEASE

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FOR RELEASE September 24, 2010

Auditor of State David A. Vaudt today released a report on a special investigation of the Clinton Community School District (District) for the period July 1, 2005 through February 28, 2010. The special investigation was requested by the District as a result of an alleged misappropriation of funds by the District's former Business Office Supervisor, Denisa Babcock.

Vaudt reported the special investigation identified \$1,207,248.32 of undeposited collections, interest and improper disbursements. Additional undeposited collections may have been identified if sufficient records had been available.

The amount identified includes 177 checks, totaling \$1,158,766.10, collected by the District but not properly deposited to the District's bank accounts. Instead, Ms. Babcock deposited 25 of the checks to personal checking accounts held in her name. She used the remaining 152 checks to establish or add to a checking account and a number of certificates of deposit (CDs) for which she was the only authorized signer. The checking account and CDs were established by Ms. Babcock in names which caused them to appear to be held by the District. However, the checking account and CDs were not authorized by the District, nor were District officials aware of the accounts. Ms. Babcock used the accounts for personal purposes.

Ms. Babcock established the checking account and 30 CDs at 5 separate financial institutions. Personal accounts to which District collections were deposited were held at 2 additional financial institutions. Because it is not feasible to contact all financial institutions, additional unauthorized accounts or CDs which have not been identified may exist.

District collections deposited to the unauthorized checking account were ultimately deposited to Ms. Babcock's personal accounts or were used for personal purchases. When the unauthorized CDs were redeemed, those proceeds were also deposited to Ms. Babcock's personal accounts. Vaudt identified \$19,250.75 of interest earned on the unauthorized accounts or CDs established by Ms. Babcock.

The undeposited collections identified also include \$5,024.00 of cash collections and \$1,610.00 of checks which expired before they were redeemed. Documentation obtained from a financial institution shows Ms. Babcock attempted to use the checks to establish an unauthorized CD. However, because the checks had expired, they were not accepted by the financial institution.

The improper disbursements identified include \$17,415.00 of overdraft charges and \$5,182.47 of proceeds from an authorized District CD Ms. Babcock redeemed and deposited to her personal account.

The report includes recommendations to strengthen the District's controls and procedures over financial transactions within the District. Specifically, Vaudt recommended the District implement procedures to improve the segregation of duties and District record-keeping practices. District officials have already implemented certain changes to procedures.

Copies of this report have been filed with the Federal Bureau of Investigation, the Iowa Division of Criminal Investigation, the Clinton County Attorney's Office, the Iowa Attorney General's Office and the U.S. Attorney's Office for the Southern District of Iowa. 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/1030-1278-TE00.pdf>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CLINTON COMMUNITY SCHOOL DISTRICT

FOR THE PERIOD
JULY 1, 2005 THROUGH FEBRUARY 28, 2010**

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Auditor of State's Report

To the Board of Education of the
Clinton Community School District:

During January 2010, Clinton Community School District (District) officials identified concerns regarding certain financial transactions. After consulting with the District's auditors and its insurance provider, officials procured the services of Studler, Doyle & Company, LLC, a forensic accounting firm. On March 2, 2010, the firm issued a report which stated an "Accountant misappropriated at least \$939,168.94 in monies." On March 25, 2010, the firm issued an addendum to the report which identified an additional \$20,498.89.

However, the report issued by Studler, Doyle & Company, LLC was intended for use of the District and the District's insurance provider. The procedures performed by the firm were not designed and/or performed to identify all undeposited collections. The procedures were performed only to ensure the amount of loss claimed by the District for insurance purposes was properly supported. The District's maximum insurance coverage for the loss was \$500,000.00.

Because the firm did not attempt to identify all of the District's undeposited collections and recommendations to improve controls at the District were not provided by Studler, Doyle & Company, LLC, District officials requested the Office of Auditor of State conduct a special investigation. We applied certain tests and procedures to selected financial transactions of the District for the period July 1, 2005 through February 28, 2010. During the investigation, additional concerns and undeposited collections which had not been previously disclosed to the District were identified. Based on discussions with District 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 the bank statements of accounts, including certificates of deposit, held in the name of the District to identify the source of certain deposits and to determine if disbursements were appropriate.
- (3) Obtained and reviewed the personal bank statements of Denisa Babcock, the District's former Business Office Supervisor, to identify the source of certain deposits and the subsequent disposition of certain payments.
- (4) Reviewed the supporting documentation obtained by and the reports issued by the forensic accounting firm hired by the District to verify the completeness and accuracy of the information reported.
- (5) Confirmed payments to the District from the following entities to determine if they were properly deposited to the District's accounts in a timely manner:
 - the State of Iowa,
 - the Iowa Medicaid Enterprise within the Department of Human Services,
 - Clinton County,
 - the City of Clinton,
 - other community school districts and
 - EMC Insurance Companies.

- (6) Examined payments to the District by retirees participating in the District's health insurance program and recorded in the District's subsidiary ledger to determine if they were properly deposited to the District's accounts in a timely manner.
- (7) Compared detailed supporting documents for certain deposits to amounts recorded in the District's accounting system to identify any significant variances.
- (8) Analyzed payroll disbursements and reimbursements to Ms. Babcock to determine if the appropriate number of payroll disbursements had been made and if the payments were supported.
- (9) Obtained an understanding of the E-Rate program and Ms. Babcock's job duties related to its operation for the District to determine if any funds related to the program were not properly deposited to the District's accounts.

These procedures identified \$1,207,248.32 of undeposited collections, interest and improper disbursements. Sufficient records were not available to determine if additional collections were not properly deposited to a District account. If sufficient records had been available, additional undeposited collections may have been identified.

The amount identified includes 177 checks, totaling \$1,158,766.10, collected by the District but not properly deposited to the District's bank accounts. Instead, 25 of the checks were deposited to personal checking accounts held in Ms. Babcock's name. The remaining 152 checks were to used establish or add to a checking account and a number of certificates of deposit (CDs) for which Ms. Babcock was the only authorized signer. The checking account and CDs were established by Ms. Babcock in names which caused them to appear to be held by the District. However, the checking account and CDs were not authorized by the District, nor were District officials aware of the accounts. Ms. Babcock used the accounts for personal purposes.

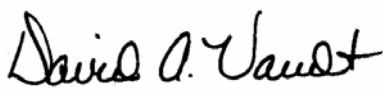
The unauthorized accounts were held at 5 separate financial institutions. Personal accounts were held at 2 additional financial institutions. Because it is not feasible to contact all financial institutions, we are unable to determine if additional unauthorized accounts were established. If we had identified additional accounts, we may have identified additional District collections which were not properly deposited to authorized District accounts.

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.

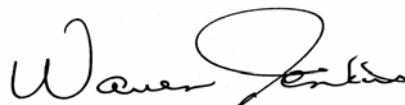
The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Clinton Community School District, other matters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

Copies of this report have been filed with the Federal Bureau of Investigation, the Iowa Division of Criminal Investigation, the Clinton County Attorney's Office, the Iowa Attorney General's Office and the U.S. Attorney's Office for the Southern District of Iowa.

We would like to acknowledge the assistance extended to us by personnel of the Clinton Community School District during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 17, 2010

Clinton Community School District
Investigative Summary

Background Information

The Clinton Community School District (District) serves approximately 4,250 kindergarten through 12th grade students. The District has 2 high schools, 2 middle schools and 4 elementary schools and is governed by a 7 member Board of Directors (Board) who are elected to 4-year terms on a nonpartisan basis. The District's certified budget for fiscal year 2010 was approximately \$41 million. During that year, the District employed 686 staff members, including 327 teachers, 138 paraprofessionals and 221 others in the areas of administration, custodial services, food services and transportation.

Denisa Babcock (also known as Denise Babcock) began employment with the District as the Business Office Supervisor on May 10, 2004 under the supervision of the Business Manager. Gayle Isaac served in this position from April 2004 through January 2010. During her employment, Ms. Babcock was responsible for the following:

- Preparing and distributing billings to other community school districts for special education tuition and open enrollment.
- Preparing deposits for all collections received by the Business Office, including special education tuition and open enrollment.
- Recording District collections to the accounting system, as well as all general journal and adjusting journal entries.
- Approving the final payroll register.
- Monitoring the account balance in the District's disbursement account to ensure sufficient funds were available for payments made, transferring funds between District bank accounts and preparing the monthly bank reconciliations.
- Monitoring available District funds and purchasing certificates of deposit for the District.
- Reconciling the general and subsidiary ledgers, preparing financial activity reports and state and federal reports, as assigned, and preparing the financial information needed for the annual financial statement audit.

Certain collections, such as registration fees, food service payments and transportation fees, are received by individual schools, within certain Departments, such as the Transportation Department, and by the Business Office. All collections not received directly by the Business Office are recorded and deposited by staff at the individual schools and Departments. We reviewed the internal controls and procedures used by the Business Office. However, we did not review the internal controls or procedures at individual schools or Departments.

For certain collections, such as registration fees, amounts received are recorded to both a student database by the individual schools and the District's accounting system by personnel within the Business Office. However, a reconciliation between the student database and the District's accounting system was not performed.

Other District collections, such as special education tuition, open enrollment and retiree health insurance premiums, are received by the Business Office. The Business Office also receives other miscellaneous revenues, including proceeds from insurance damage claims or premium refunds, payments from the City of Clinton and State of Iowa warrants. According to a representative of the Business Office, most of these revenues were received through the mail and recorded on an initial listing by the mail opener. However, if mail was addressed to a specific individual, it remained unopened and was given directly to the individual the mail was addressed to. As a

result, any collections received through the mail by a specific individual were not recorded on the initial listing prepared by the mail opener.

According to the employee responsible for opening the mail and preparing the initial listing, she specifically asked Ms. Babcock if the initial listing should be reconciled to the deposits reflected on the bank statements and was told not to perform such a reconciliation. According to Mr. Isaac, he was not aware the initial receipt listing was not reconciled to subsequent deposits to the District's bank accounts.

As previously stated, Ms. Babcock was responsible for billing other community school districts for special education tuition and open enrollment. On several occasions, the invoices prepared by Ms. Babcock instructed the District to mail the payment directly to Ms. Babcock's attention. **Appendix 1** includes copies of selected invoices prepared by Ms. Babcock. According to Mr. Isaac, he was not aware of this practice.

District obligations are paid by checks every 2 weeks. All checks are reviewed by the Board President and approved by the Board prior to distribution. There are 2 individuals within the Business Office responsible for accounts payable, 1 as the primary and 1 as the back-up. These 2 individuals also assist with collections, review District credit card use and record transactions to the District's accounting system. The credit cards are controlled by 2 individuals within the Business Office and detailed statements are received and reviewed prior to payment.

There are also 2 individuals responsible for processing the District's payroll, 1 as the primary and 1 as the back-up. The primary employee is responsible for entering all payroll information into the District's accounting system, including rates for pay, taxes, FICA and IPERS; however, an individual independent of the payroll process does not review or approve the information entered. In addition, as previously stated, Ms. Babcock was responsible for reviewing and approving the final payroll register; however, according to a representative of the Business Office, this was not routinely done by Ms. Babcock. The current Business Manager has started performing this task. Also, payroll checks are not included in the checks provided to the Board President for review or on the check listing approved by the Board.

The report issued by Studler, Doyle & Company, LLC included a summary of certain instances recorded in Ms. Babcock's personnel file. Specifically, the following instances were identified:

- On January 10, 2007, Mr. Isaac and the Director of Human Resources met with Ms. Babcock to discuss concerns regarding her job performance. The concerns discussed at the meeting included Ms. Babcock's use of the District's fax, e-mail and telephone during office hours to conduct her personal consulting business related to the E-Rate program. The meeting also addressed lack of timely deposit of collections and dishonesty.

On January 15, 2007, Ms. Babcock received a formal reprimand citing 10 specific concerns and the District's expectations related to those concerns. The reprimand stated she was to immediately cease and desist all work on her personal consulting business, the issue regarding holding of cash receipts was considered resolved and not working the amount of time assigned was considered "stealing time."

A job performance improvement plan was developed for Ms. Babcock to correct the concerns identified. The plan detailed District expectations, including a requirement for Ms. Babcock to provide deposits to Mr. Isaac prior to delivery to the bank and to complete and provide monthly bank reconciliations to Mr. Isaac for review.

According to Mr. Isaac, he was not aware of the requirement to provide bank deposits for his review. In addition, he stated monthly bank reconciliations were not prepared. He stated he believed reconciliations were not possible with the accounting system the District had at the time. However, according to the Business Office Supervisor who preceded Ms. Babcock, monthly bank reconciliations were prepared during her tenure.

- On July 13, 2007, a complaint was filed against Ms. Babcock alleging she modified the financial transactions recorded in a software program by another Business Office

employee. A meeting was held August 27, 2007 with Ms. Babcock, Mr. Isaac and the Director of Human Resources to discuss the complaint filed. At the meeting, Ms. Babcock denied modifying the other employee's work; however, a report generated from the software documented Ms. Babcock's user name on certain transactions. During the meeting, Ms. Babcock was informed the issues between her and the other employee were to be resolved or Ms. Babcock and/or the other employee could be terminated. According to Mr. Isaac, further concerns were not identified in this area.

- During the 2009/2010 school year, funding provided to school districts by the State of Iowa was reduced, resulting in a number of staff reductions statewide. A number of the reductions were teaching positions. According to Mr. Isaac, he wanted to demonstrate the District's administration was making an effort to absorb some of the budget cuts and not only teaching staff positions would be affected by the budget cuts. As a result, Ms. Babcock's position was eliminated.

She received a "Notice and Recommendation to Terminate Contract" (Notice) on November 5, 2009. According to the Notice, due to the financial cuts, the Superintendent would be recommending to the Board Ms. Babcock's contract be terminated for staff reduction reasons. On November 17, 2009, Ms. Babcock was provided a letter of termination stating her last work day for the District would be December 9, 2009.

According to District officials, assistance was needed with various tasks within the Business Office after Ms. Babcock's departure. As a result, Mr. Isaac arranged to have Ms. Babcock's predecessor, Sharon Hoenicke, temporarily provide assistance. Ms. Hoenicke had retired as the Business Office Supervisor in 2004. While searching during the first part of January 2010 for a check which had been received but not recorded in the District's accounting system, Ms. Hoenicke determined certain checks had been substituted in a deposit made to the District's bank account for certain collections recorded in the District's accounting system.

Specifically, Ms. Hoenicke was searching for a \$245.00 refund check from a vendor. When the check could not be located in the Business Office, she began reviewing deposits made to the District's bank account. She identified a deposit slip on September 10, 2009 prepared by Ms. Babcock which was not itemized. To determine if the deposit included the missing refund check, she printed a "Cash Receipts Edit List" from the District's accounting system and called the District's bank to obtain copies of the checks which were deposited.

The "Cash Receipts Edit List" included 3 checks, none of which were the missing refund check. However, the documentation received from the bank showed 32 checks had actually been deposited, including the refund check. **Table 1** lists the 3 checks recorded in the District's accounting system. Supporting documentation for the \$150.87 of recorded registration fees shows check number 2158 for \$150.00 was received for an athletic pass for the Sterk family. A handwritten notation on the supporting documentation also states an \$0.87 book fee was collected.

Table 1	
Description	Amount
Elamedy [sic] Kids Tuition	\$ 11,628.00
Printing for Foundation	4.34
Registration Fees	150.87
Total	<u>\$ 11,783.21</u>

Table 2 summarizes the types and amounts of the checks which were actually deposited. The 14 checks deposited for registration fees and activity passes included the \$150.00 check from the Sterk family. Because an additional \$0.87 was not deposited in cash, it is apparent the notation made on the supporting documentation previously referred to was prepared to force the amount recorded in the District's accounting system to agree with the amount of the checks actually

deposited. However, we were unable to determine at which point in the process the notation was made or which employee made the notation.

Table 2

Description	Number of Checks	Amount
Refunds	5	\$ 2,610.82
Registration fees and activity passes	14	1,375.00
Insurance proceeds	1	1,968.86
Food services	3	1,538.90
Transportation	1	1,013.60
Other collections	2	449.94
Unable to determine	6	2,826.09
Total	32	\$ 11,783.21

The \$4.34 check listed in **Table 1** was included in “Other collections” summarized in **Table 2**. However, the \$11,628.00 check listed in **Table 1** for tuition for the Elahmady family was not included in the deposit. As a result, a representative of the District contacted the family and requested a copy of the front and back of the family’s redeemed check.

When the copies were received, Business Office personnel determined the check had been deposited to a bank which the District did not use. The former Superintendent contacted the bank identified and determined Ms. Babcock had established an unauthorized bank account in the name of “Clinton Education Excellence.”

Because the account was not authorized, the District immediately notified and filed a report with the Clinton Police Department. The report was dated January 15, 2010. According to the Captain of the Police Department, due to the nature and scope of the investigation, the Federal Bureau of Investigation (FBI) was notified and the FBI took over the investigation.

In accordance with section 11.6 of the *Code of Iowa*, a representative of the District’s audit firm notified the Office of Auditor of State (AOS) of the irregularities identified at the District. The notice was provided on January 20, 2010. The representative also informed AOS the District was considering hiring a forensic accounting firm to review the transactions identified. On January 25, 2010, the Board approved hiring the forensic accounting firm of Studler, Doyle & Company, LLC (Studler Doyle) as a result of the concerns identified.

A phone conference was subsequently held on January 29, 2010 between a representative of Studler Doyle and a representative of AOS regarding coordination of efforts to investigate the concerns identified and prepare the necessary reports. During the conversation, as well as during conversations which involved District officials and the District’s legal counsel, it was agreed Studler Doyle would perform the fieldwork necessary to identify the amount of loss to the District. It was also agreed representatives of Studler Doyle would periodically confer with AOS representatives to discuss the progress of the engagement. At the completion of fieldwork, a report was to be issued which would allow for public disclosure of the total loss.

On March 3, 2010, a representative of AOS contacted Studler Doyle to obtain the status of the investigation and was informed a lengthy initial report had already been issued to the District’s insurance company and the former Superintendent. In addition, AOS would have to ask the insurance company to release the report as it was only provided to the former Superintendent under the agreement signed with the District. However, the representative from Studler Doyle stated it was her understanding the District intended to release the information provided.

On March 8, 2010, a conference call was held with representatives of AOS, Studler Doyle and the District. During the call, AOS representatives reiterated it was their understanding the District

hired Studler Doyle to perform a complete investigation of all losses to the District. In addition, the report issued by Studler Doyle was to include recommendations to the District to facilitate improving controls which would provide a level of assurance errors or irregularities would be noted within a reasonable time during the course of normal operations. However, it was subsequently determined the District hired Studler Doyle on behalf of the District's insurance company to perform a "focused review" which would determine if the amount of potential loss exceeded the policy limit per occurrence. Therefore, the report requested by and provided to the insurance company did not address the full scope of the potential concerns. It was also determined Studler Doyle is not licensed to perform audit work in the State of Iowa and, as a result, could not issue a report in compliance with professional auditing standards.

As a result of the concerns identified and because Studler Doyle did not have a current license in Iowa, District officials requested the Office of Auditor of State conduct a special investigation of the District's financial transactions. As a result of that request, we performed the procedures detailed in the Auditor of State's report for the period July 1, 2005 through February 28, 2010.

Detailed Findings

The procedures performed identified \$1,207,248.32 of undeposited collections, interest and improper disbursements. Sufficient records were not available to determine if additional collections were not properly deposited to a District account. If sufficient records had been available, additional undeposited collections may have been identified.

The amount identified includes 177 checks, totaling \$1,158,766.10, collected by the District but not properly deposited to the District's bank accounts. Instead, some of the checks were deposited to personal checking accounts held in Ms. Babcock's name. The remaining checks were used to establish or add to a checking account and a number of certificates of deposit (CDs) Ms. Babcock established in names which caused them to appear to be held by the District. However, District officials did not authorize the checking account or CDs, nor were District officials aware of the accounts. Ms. Babcock used the unauthorized accounts for personal purposes. The checks deposited to Ms. Babcock's personal accounts and these unauthorized accounts are hereafter referred to as undeposited collections because they were not deposited to District accounts for the benefit of the District. The undeposited collections also include \$5,024.00 of cash and \$1,610.00 of miscellaneous receipts which were collected by the District but never deposited to the District's bank accounts.

Of the \$1,207,248.32 identified, \$959,667.83 was included in the report prepared by Studler Doyle. We confirmed the accuracy of this amount and identified an additional \$247,580.49. **Table 3** summarizes the amounts identified by AOS and Studler Doyle by fiscal year. A portion of the undeposited collections identified were initially used to establish CDs. Those amounts, along with the interest earned on the CDs, have been included in the fiscal year in which the CD was established.

Table 3

Fiscal Year	Amount Identified By		
	AOS	Studler Doyle	Difference
2006	\$ 30,701.07	-	30,701.07
2007	113,843.02	88,700.52	25,142.50
2008	425,185.99	269,052.19	156,133.80
2009	485,197.33	457,066.52	28,130.81
2010	152,320.91	144,848.60	7,472.31
Total	\$ 1,207,248.32	959,667.83	247,580.49

As a result of the procedures performed by Studler Doyle and AOS, an unauthorized checking account and 30 unauthorized CDs which were improperly established by Ms. Babcock in a name which included the District or made it appear as if the account was affiliated with the District through a foundation or scholarship were identified. The unauthorized checking account and CDs identified were held by 5 separate financial institutions. We also identified District collections deposited to Ms. Babcock's personal accounts established at 2 additional financial institutions. Because it is not feasible to contact all financial institutions, we are unable to determine if Ms. Babcock established additional unauthorized accounts. If we had identified additional unauthorized accounts established or held by Ms. Babcock, we may have identified additional District collections which were not deposited to District accounts.

Appendix 2 includes examples of bank accounts and CDs established by Ms. Babcock in the name of the District or named to appear as if they were related to the District. We determined the proceeds from the unauthorized accounts were ultimately either deposited to Ms. Babcock's personal bank accounts or disbursed for personal purchases. The following paragraphs discuss the amounts identified at each financial institution.

All findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

UNDEPOSITED COLLECTIONS AND INTEREST

The undeposited collections identified include both payments routinely received by the District and unusual or infrequent payments. To determine whether routine payments received had been properly deposited to a District account, we obtained confirmations from entities which routinely remit payments to the District. Entities from which we obtained confirmations included:

- the State of Iowa,
- the Iowa Medicaid Enterprise within the Department of Human Services (DHS-IME),
- Clinton County,
- the City of Clinton,
- other community school districts and
- EMC Insurance Companies.

We determined the majority of the payments received from the State of Iowa were electronically deposited directly to the District's account at the Iowa School Joint Investment Trust (ISJIT). We traced the remainder, issued with State warrants, to subsequent disposition to determine the bank account(s) to which the warrants had been deposited. Of the 79 State warrants tested, we identified 39 which were not deposited in a timely manner. We also traced payments issued by DHS-IME to subsequent deposit. Of the 11 DHS-IME warrants tested, we identified 7 which were not deposited in a timely manner.

The only funds received from Clinton County are property taxes collected by the County on behalf of the District. We did not identify any concerns related to the property taxes remitted to the District by the County. The City of Clinton identified 13 checks which were issued to the District during the period of review. Of those, 6 were not deposited in a timely manner. Funds received through the District's insurance company, EMC Insurance Companies, include damage claims and premium refunds. We traced the payments identified by the insurance company to subsequent deposit.

We also sent confirmations to 13 surrounding community school districts. These districts primarily remit special education tuition and open enrollment fees to the District; however, we also identified payments for transportation, activity fees and other registrations. Based on discussions with Business Office personnel, the majority of the transportation, activity and other fees are received and deposited by individual schools or the District's Transportation Department

rather than the Business Office. As a result, we only traced the payments received for special education tuition and open enrollment to subsequent deposit.

A concern was also identified with health insurance premium payments received from retirees participating in the District's health insurance program. The District offers qualified retirees continued health insurance coverage through the District. Those retirees choosing to participate remit their health insurance premiums to the District's Business Office. We obtained a summary of payments received from each participating retiree from a Business Office employee. We used the list to trace the checks to subsequent deposit. As previously stated, Ms. Babcock was responsible for deposit preparation; however, she did not itemize the checks received for all deposit slips prepared. Therefore, we were unable to trace all payments to subsequent deposit.

We also reviewed the procedures for collection of registration, activity, transportation and nutrition fees. Based on discussions with the appropriate personnel, we determined the activity and nutrition fees are collected and deposited by each individual school rather than the Business Office. As a result, we did not perform additional procedures for these types of collections. Throughout the time period reviewed, there were times both registration and transportation fees were processed by the Business Office; however, sufficient supporting documentation was not maintained to allow testing of the collections received. Had we been able to perform procedures, we may have identified additional undeposited collections.

As previously stated, there are certain routine payments, such as special education tuition and open enrollment fees, which the District expects to receive. However, there are other payments received which are not expected, such as insurance premium refunds, rebates and donations. According to a representative of the Business Office, Ms. Babcock recorded payments which were expected to the District's accounting system but did not record payments which were not expected. For example, the District was to receive a \$20,000.00 donation from a private trust to establish a scholarship fund. When the trustees remitted the payment, 3 smaller private donations received by the trustees for the scholarship were also provided to the District. **Appendix 3** includes copies of the checks remitted to the District for the scholarship fund. The expected amount of \$20,000.00 was properly recorded in the District's accounting system. However, the other 3 checks were not recorded. All 4 checks were improperly used by Ms. Babcock to establish a CD which was subsequently redeemed and deposited to a personal account held by Ms. Babcock.

As a result of the procedures performed, we identified \$1,184,650.85 of undeposited collections and interest. The following paragraphs detail the amounts identified.

Unauthorized or Personal Accounts or CDs Established at Local Financial Institutions – Of the \$1,184,650.85 identified, \$1,158,766.10 were funds collected by the District which were improperly deposited by Ms. Babcock to unauthorized or personal accounts or were used by Ms. Babcock to establish unauthorized CDs at various local financial institutions. **Exhibits B, C and D** list the District collections deposited to Members Choice Community Credit Union, Valley Bank and Clinton National Bank, respectively. District collections were also deposited to accounts established at Wells Fargo, Citizens First Bank and Gateway Savings Bank. Some of the District funds held at these financial institutions were ultimately deposited to a personal checking account Ms. Babcock held at U.S. Bank.

As illustrated by **Exhibits B, C and D** and as explained in the following paragraphs, the District collections were deposited to checking accounts and used to establish CDs. The amounts deposited to the checking accounts were used for personal purchases or were eventually transferred or deposited to other accounts held by Ms. Babcock. When the CDs matured, the proceeds were deposited to other accounts and were ultimately deposited to accounts held by Ms. Babcock. **Exhibit E** summarizes the CDs identified and where the proceeds were deposited upon their maturity. **Table 4** summarizes the amounts deposited to checking accounts and the amounts used to establish CDs.

Table 4

Financial Institution	Checking Deposits	CDs Established	Total
Members Choice Community Credit Union	\$ 569,691.13	77,594.81	647,285.94
Valley Bank	-	272,055.14	272,055.14
Clinton National Bank	18,324.16*	150,779.12	169,103.28
Wells Fargo	26,049.81*	-	26,049.81
Citizens First Bank	-	25,745.43	25,745.43
Gateway Savings Bank	-	18,526.50	18,526.50
Total	\$ 614,065.10	544,701.00	1,158,766.10

* - Personal accounts held by Ms. Babcock.

As illustrated by the **Table**, \$544,701.00 was initially used to establish CDs. As a result, these funds were not readily available for use by Ms. Babcock. **Exhibit E** includes the dates the CDs were established and the dates they were redeemed. None of the CDs were redeemed prior to their maturity date. **Table 5** summarizes the length of time the CDs were held.

Table 5

Number of Days Held	Number of CDs
92-99	8
100-194	11
202-278	5
334-376	4
806-856	2
Total	30

The following paragraphs provide additional information about the undeposited collections identified by financial institution.

1. **Members Choice Community Credit Union (MCCCU)** – We identified 1 checking account established by Ms. Babcock at MCCCU (now known as Ascentra Credit Union). The checking account was established in the name “Clinton Education Excellence, Denisa Babcock” and the statements were sent to Ms. Babcock’s home address. Ms. Babcock was the only authorized signer and the account was not used for the benefit of the District. In addition, we determined Ms. Babcock obtained a separate employer identification number from the Internal Revenue Service to establish the account.

We identified 43 checks issued to the District totaling \$569,691.13 which were improperly deposited to the MCCCU checking account. Of those checks, 12 were from surrounding community school districts for special education tuition.

We also identified 2 checks deposited to the checking account which were issued to the District by the City of Clinton. According to supporting documentation provided by the City, 1 of the 2 checks, totaling \$21,342.82, was payment for the City’s share of crossing guard expenses. During our fieldwork, Business Office personnel expressed concern with the amount billed to the City. We reviewed the invoice prepared by Ms. Babcock and compared the expenditures listed to the District’s accounting system. Based on review of actual expenditures, it appears Ms. Babcock overbilled the City by \$4,054.96. This amount is included in the \$569,691.13 identified in the checking account.

We also identified 3 CDs established by Ms. Babcock at MCCCUC. The CDs were established in the name "Clinton Education Excellence, Denisa Babcock" and the statements were sent to Ms. Babcock's home address.

We identified 3 checks totaling \$77,594.81 which were used to establish the 3 CDs. In addition, 2 CDs were established at MCCCUC using proceeds from the redemption of CDs established at Citizens First Bank and Clinton National Bank. These 2 CDs, totaling \$26,977.58, will be discussed in further detail later in this report. As illustrated by **Exhibit E**, upon redemption, proceeds of 4 of the 5 CDs identified were deposited to the MCCCUC checking account while the proceeds of the remaining CD were deposited to a checking account at Citizens First Bank.

The 46 checks identified have been summarized in **Exhibit B**. The \$647,285.94 of improper deposits to unauthorized accounts identified at MCCCUC is included in **Exhibit A**. As illustrated by **Exhibit B**, 25 of the 46 checks contained a stamp of the District's restrictive endorsement. However, for 12 of those checks, Ms. Babcock manually added the MCCCUC checking account number to the endorsement. **Appendix 4** includes copies of selected checks containing this dual endorsement.

Based on a review of the MCCCUC bank statements, we determined the checking account earned interest. During the period July 1, 2005 through February 28, 2010, the checking account earned interest totaling \$857.90. In addition, as illustrated by **Exhibit E**, each of the 5 CDs also earned interest. Interest earned on the CDs totaled \$7,772.51. The total interest of \$8,630.41 earned on the checking account and CDs is included in **Exhibit A**.

We also reviewed the subsequent disposition of the funds deposited to the MCCCUC checking account. We identified the following significant payments:

- \$23,345.00 for 20 quarters of service from IPERS for Ms. Babcock,
- \$8,000.00 of loan payments to the Iowa Student Loan Liquidity Corporation for Ms. Babcock,
- \$72,731.67 to Liberty Title Company for the purchase of property in Camanche, Iowa by Ms. Babcock and her husband and
- \$55,000.00 to Gannon Pool and Spa. According to School staff members we spoke with, Ms. Babcock had a pool at her personal residence.

2. **Valley Bank** – We identified 10 unauthorized CDs totaling \$272,055.14 established by Ms. Babcock in the name of the District at Valley Bank. According to supporting documentation obtained from the bank, Ms. Babcock was the only signer on the 10 CDs. The address on each CD specifically stated "Attn: Denise Babcock." However, we determined 1 of the 10 CDs listed both Ms. Babcock and Mr. Isaac in the address. We also determined 1 of the 10 CDs was named "Stoddard Scholarship."

The CDs were established with 34 checks issued to the District. Of those, 7 were from surrounding community school districts for special education tuition. We also identified 2 checks issued to the District by DHS-IME for Medicaid claims. The 34 checks are summarized in **Exhibit C** and the \$272,055.14 total is included in **Exhibit A**.

Also, as illustrated by **Exhibit E**, Ms. Babcock redeemed 2 CDs established at Gateway Savings Bank and used the proceeds to establish a CD at Valley Bank. These CDs will be discussed in further detail later in this report. **Exhibit E** also illustrates the proceeds of the 10 CDs identified were deposited to a checking account at Wells Fargo upon redemption. In addition, **Exhibit E** illustrates the 10 CDs earned interest. The interest earned on the Valley Bank CDs totaled \$2,765.51, which is included in **Exhibit A**.

According to a representative of the Business Office, every 3 years the Board reviews the financial institutions used by the District and authorizes future use through corporate resolution. According to an e-mail communication between the District's attorney and a representative of Valley Bank, the bank did not have an originally signed corporate resolution for the District. Instead, the bank had a photocopy. By reviewing the resolution held by Valley Bank, we determined it was dated July 2004 and stated it superseded the resolution dated April 2000. However, according to a representative of Valley Bank, the branch in Clinton was not opened until October 2001.

In addition, by comparing the photocopied Valley Bank corporate resolution to those maintained at the District, we determined Valley Bank had not been approved by the Board. We also determined the corporate resolution for Citizens First Bank dated July 2004 also stated it was superseding the resolution dated April 2000. Therefore, it appears the corporate resolution for Citizens First Bank was used to create the unauthorized corporate resolution held by Valley Bank.

We also obtained a "Profile Information Change" from Valley Bank dated December 8, 2009 (1 day prior to Ms. Babcock's termination date) which changed the address of record from the District's address to a post office box. As previously stated, the CDs established at Valley Bank all included "Attn: Denise Babcock" in the address. During Ms. Babcock's employment, all mail addressed to her attention was given to her unopened at the District's Business Office. However, after her termination, all mail, including statements from Valley Bank, would have been opened by the individual responsible for the mail.

3. **Clinton National Bank (CNB)** – We identified 9 CDs totaling \$150,779.12 established by Ms. Babcock at CNB. We also identified 2 CDs at CNB, totaling \$16,902.33, which were established using redemption proceeds from CDs at U.S. Bank and Citizens First Bank. These 2 CDs will be discussed in further detail later in this report. The name of each CD made it appear as if it was held for the District. Ms. Babcock was the only signer on the 11 CDs.

Of the 11 CDs originally established at CNB, 1 was named "Clinton Community School District, Proehl Scholarship", 2 were named "Clinton Education Excellence Foundation, Denisa Babcock," 5 had the District's name and 3 were named "Denisa Babcock."

The CDs were established with 62 checks issued to the District, 2 teller cash-in tickets and 1 bank adjustment. Of the 62 checks identified, 10 were issued by the District's worker's compensation insurance company, 1 was issued by CNB for \$12,386.89 of interest earned on an authorized District CD and 1 was a private donation to establish a scholarship fund. **Appendix 3** includes an image of the check. The 62 checks, 2 teller cash-in tickets and 1 bank adjustment are summarized in **Exhibit D**.

In addition, as illustrated by **Exhibit E**, upon redemption, proceeds of 1 of the 11 CDs identified were used to establish a CD at MCCCUC, proceeds of 1 were used to establish a CD at CNB, proceeds of 1 were deposited to Ms. Babcock's personal checking account at CNB and the proceeds of the remaining 8 CDs were deposited to Ms. Babcock's personal checking account at Wells Fargo.

In addition to the 62 checks, we identified 24 checks deposited to Ms. Babcock's personal checking account at CNB. The 24 checks total \$18,324.16 and were received from retirees participating in the District's health insurance program. As previously stated, the District allows retirees to maintain their health insurance coverage through the District and the health insurance premiums are processed through the Business Office. The retiree health insurance premiums deposited to Ms. Babcock's personal checking account are listed in **Exhibit D**. Also as illustrated by the **Exhibit**, an additional check received from a retiree was included with other checks for CD #5 established by Ms. Babcock at CNB.

Based on our review of images of the retiree checks identified, it appears 24 of the 25 checks were initially payable to "CCSD" (Clinton Community School District). However, on 23 of the 24 checks, the "D" was either crossed out or removed from the payee line of the check leaving only the letters "CCS." As previously stated, Ms. Babcock conducted a personal consulting business related to the E-rate program. The name of her business was "Camanche Consulting Services," or CCS. The check included in CD #5 was payable to "Clinton Community Schools." As a result, it was not easily altered. **Appendix 5** includes examples of the altered checks.

The \$169,103.28 of District funds identified which were deposited to Ms. Babcock's personal checking account or used to establish unauthorized CDs is included in **Exhibit A**.

As illustrated by **Exhibit E**, each of the 11 CDs established at CNB earned interest. The \$3,617.73 of total interest earned on the CNB CDs is included in **Exhibit A**. For 2 CDs established at CNB, the interest was not included in the checks issued to redeem the CDs. Instead, the interest was paid on separate checks. The interest for 1 CD was deposited to Ms. Babcock's personal checking account at Wells Fargo along with the remaining proceeds of the redeemed CD. The interest for the other CD was issued quarterly and was deposited to the unauthorized checking account Ms. Babcock established at MCCCUC. The 2 CDs are identified in **Exhibit E**.

4. **Wells Fargo** – We identified a \$26,049.81 check issued to the District by Qwest Corporation which was deposited to Ms. Babcock's personal checking account at Wells Fargo. The check was dated November 6, 2008 and contained a handwritten endorsement of Ms. Babcock's name. The \$26,049.81 is included in **Exhibit A**.

Ms. Babcock's personal checking account at Wells Fargo was opened in October 2007. We determined all deposits to the account from the date it was opened through November 2008 were transfers from unauthorized accounts or CDs at other financial institutions which were established with checks issued to the District. Ms. Babcock also established a personal CD at Wells Fargo in June 2007 with the proceeds from an unauthorized CD. As illustrated by **Exhibit E**, 18 of the 30 CDs established by Ms. Babcock at various banks were redeemed and the proceeds were deposited to her personal checking account or used to establish a CD at Wells Fargo. The total redemption amount for these 18 CDs was \$447,151.54.

Of the amount deposited to the checking account, a significant portion was transferred to a brokerage account also at Wells Fargo. In addition, we identified payments of \$11,320.61 issued to the Iowa Student Loan Liquidity Corporation for Ms. Babcock and \$9,000.00 issued to U.S. Bank for an individual retirement account (IRA) held in Ms. Babcock's name.

The interest earned on Ms. Babcock's personal checking, CD and brokerage accounts totaled \$409.53, \$507.77 and \$1,485.34, respectively. Because the only amounts deposited to these accounts were transfers from unauthorized accounts or proceeds from CDs at other financial institutions which were established using checks issued to the District, the total interest earned of \$2,402.64 is included in **Exhibit A**.

5. **Citizens First Bank** – We also identified 2 CDs established by Ms. Babcock at Citizens First Bank. The CDs were established in the name "Clinton Community School, Foundation for Education Excellence" and "Foundation for Education Excellence, Denise Babcock." The statements were sent to the District's address.

We identified 4 checks totaling \$25,745.43 used to establish the 2 CDs. Each check was endorsed with the District's name. As illustrated by **Exhibit E**, upon redemption, proceeds of 1 of the 2 CDs identified were used to establish a CD at MCCCUC while proceeds of the other were used to establish a CD at CNB. **Table 6** lists the 4 checks identified by date. The \$25,745.43 is included in **Exhibit A**.

Table 6

Date	Payor	Check Amount	CD Amount
08/15/06	Clinton National Bank	\$ 1,980.00	
09/26/06	Pepsi	8,000.00	
10/09/06	Washington Middle School	4,493.00	\$14,473.00
06/29/07	River Bend Community School District	11,272.43	11,272.43
Total			<u>\$ 25,745.43</u>

In addition, as illustrated by **Exhibit E**, the 2 unauthorized CDs earned \$956.99 of interest. We also identified a checking account established at Citizens First Bank in which only transfers from unauthorized accounts were deposited. As a result, the interest of \$274.90 earned on the checking account is improper. The \$1,231.89 of total interest earned on the 2 CDs and the checking account is included in **Exhibit A**.

6. **Gateway Savings Bank** – We also identified 2 CDs established by Ms. Babcock at Gateway Savings Bank. The CDs were established in the name “Clinton Community School District, Education Foundation.” The statements were sent to the District’s address.

We identified 6 checks which total \$18,526.50 and were used to establish the 2 unauthorized CDs. Each check was endorsed with the District’s name. As illustrated by **Exhibit E**, upon redemption, proceeds of both CDs were used to establish a CD at Valley Bank. **Table 7** lists the 6 checks identified by date. The \$18,526.50 is included in **Exhibit A**.

Table 7

Date	Payor	Check Amount	CD Amount
04/27/06	Mercy Medical Center	\$ 5,000.00	
06/07/06	Mississippi Bend Area Education Agency	9,266.00	\$14,266.00
09/18/06	New Life Assembly^	750.00	
09/15/06	New Life Assembly^	600.00	
10/12/06	New Life Assembly^	225.00	
10/26/06	Hillcrest Family Services	2,685.50	4,260.50
Total			<u>\$ 18,526.50</u>

^ - Rental and custodial fees for Bluff Elementary.

In addition, as illustrated by **Exhibit E**, the 2 unauthorized CDs earned \$215.44 of interest. The interest earned is included in **Exhibit A**.

7. **U.S. Bank** – We also identified a personal checking account held by Ms. Babcock at U.S. Bank to which Ms. Babcock transferred District funds previously held at other financial institutions. We did not identify any District checks deposited directly to the U.S. Bank checking account. However, because the funds deposited to the account were originally District funds, the \$387.13 of interest earned is included in **Exhibit A**.

Undeposited Cash – As previously stated, Ms. Babcock was responsible for deposit preparation. Because District collections were deposited to unauthorized or personal checking accounts or were used to establish unauthorized CDs, we reviewed 17 deposit slips to determine if additional undeposited collections could be identified. We focused our review on the deposit slips which did not include an itemized listing of checks. As a result of our review, we determined \$5,024.00 of cash collections were not properly deposited. The \$5,024.00 of cash collections were initially recorded on a deposit slip which included activity fees from the High School.

According to a representative of the Business Office, activity fee deposits were not normally processed by Business Office staff. Instead, the deposits were prepared by High School staff and taken by a courier directly from the High School to the bank. However, in 2009, Ms. Babcock instructed CNB to contact her if there were any problems with deposits made to the District's accounts. In November 2009, when a deposit from the High School did not total correctly, a bank representative contacted Ms. Babcock and the deposit was returned to Ms. Babcock.

We obtained a copy of the deposit slip initially prepared by staff at the High School. It was dated November 3, 2009 and included \$17,809.00 of cash collections and \$2,704.00 of checks. The deposit slip totaled \$20,513.00. The revised deposit slip was dated November 9, 2009 and included only \$12,785.00 of cash collections and \$7,784.00 of checks. The deposit slip totaled \$20,569.00. **Appendix 6** includes copies of the original and revised deposit slips. According to District staff, the revised deposit was made to a different branch than where the original deposit had been made.

Using documentation obtained from the High School and the bank, we compared a list of the checks sent with the original deposit to images of the 125 checks provided to the bank with the revised deposit slip. We determined all checks listed by the High School were included with the revised deposit slip. The additional 34 checks included in the revised deposit were payments from District teachers for continuing education which were dated between August and September 2009. Each of the additional 34 checks totaled \$80.00, \$160.00 or \$240.00.

The 34 additional checks were not recorded in the District's accounting records. As a result, it is apparent the checks were substituted for the cash included with the original deposit prepared for the bank. In addition, because the checks were dated between August and September 2009 but were not deposited until November, it appears Ms. Babcock held the checks until she had the opportunity to substitute them for other collections. Because sufficient records were not maintained by the District, we are unable to determine what additional checks may have been held and subsequently used to substitute for other collections.

The \$5,024.00 of undeposited cash collections is included in **Exhibit A**.

Undeposited Miscellaneous Receipts – As a result of our review of the supporting documentation for the CDs established by Ms. Babcock, we identified 2 checks which Ms. Babcock attempted to use to establish a CD. However, because the payments had been held for a significant amount of time, both checks were considered stale dated and rejected by the bank. Ms. Babcock did not attempt to obtain replacement checks from either of the payors. As a result, the District did not receive payment for the amounts owed. **Table 8** summarizes the 2 checks by date. The \$1,610.00 owed to, but not received by, the District is included in **Exhibit A**.

Table 8

Date	Payor	Amount	Purpose
06/16/06	Mary Armour	\$ 105.00	Continuing education
05/04/07	Jr. King Powerhouse Wrestling	1,505.00	Building rental
	Total	<u>\$ 1,610.00</u>	

Registration Fees – As previously stated, the deposit to the bank identified by Ms. Hoenicke which did not agree with the information recorded in the District’s accounting system included a number of registration fees. The fees deposited to the bank, which had been collected during the fall of 2009, were not recorded in the District’s accounting system.

Also as previously stated, sufficient supporting documentation was not available to allow testing of registration fees collected by the District. During fieldwork, a representative of the Business Office expressed concerns regarding the fall 2006 registration fees. She stated 3 Business Office employees, including Ms. Babcock, were responsible for entering the registration payments into the student database. She further stated Ms. Babcock insisted on processing the registration fees from the High School because the volume of cash would make them more complicated. After the deadline for registration payment had passed, the District sent billing statements to all parents still owing for their child’s registration.

According to a representative of the Business Office, in or around November 2006, she began receiving telephone calls in response to the billing statements. Several parents stated they had paid the amounts listed and had receipts documenting the amounts paid in cash, even though the cash payment had not been entered in the student database.

The Business Office employee who received the calls approached Mr. Isaac with her concerns. According to Mr. Isaac, he performed a reconciliation to ensure all amounts collected had been deposited and did not identify any discrepancies. However, he did not retain any supporting documentation for the reconciliation performed.

It is unclear how a reconciliation could be performed which would ensure all collections were properly deposited to the bank. Because the receipts issued to the parents were not numbered in any manner, it would not be possible to determine the completeness of the receipts which were traced to deposit. Because the receipts were not prenumbered, it would be possible for some receipts to be lost or discarded and the related collections not properly deposited.

For parents who had receipts showing the proper payment had been made, the District recorded the payment in the accounting system. However, the payment was not recorded in a manner which allowed us to identify which payments were recorded at the time the payment was made and which were made as a result of the parent showing their paid receipt to the District. As a result, we are unable to determine the amount of payments posted to the system for which the District did not have a corresponding deposit to the bank.

Because sufficient supporting documentation was not maintained, we were unable to test registration fee collections. Therefore, we are unable to determine the amount of undeposited registration fees.

IMPROPER DISBURSEMENTS

As part of our procedures, we reviewed the payments made by the District to Ms. Babcock for payroll and travel reimbursements to determine if the correct number of checks had been issued and if only authorized amounts had been paid. We did not identify any concerns related to Ms. Babcock’s payroll or travel reimbursements. Although there was a procedure for travel reimbursements, the District did not have a written travel policy until February 2009. According to District representatives, there were no limits established for the travel reimbursements. The following paragraphs describe the disbursements for which we identified concerns.

Overdraft Charges – We reviewed all disbursements from the District’s checking account, including transfers, to determine if any unusual disbursements or personal purchases could be identified. We did not identify any concerns with the purchases paid from the account; however, we identified \$17,565.00 of overdraft charges to the District’s account. As previously stated, it

was Ms. Babcock's responsibility to monitor the balance in the disbursement account to ensure sufficient funds were available to satisfy District obligations.

According to a representative of the Business Office, it would not be expected or acceptable for the District to incur overdraft charges. We spoke with Mr. Isaac about the overdraft charges. He stated he was aware the account was incurring charges but he thought they were a result of the District's account falling below a required minimum balance, not for insufficient funds. He indicated he spoke with Ms. Babcock about the charges but did not aggressively pursue resolution. We determined \$150.00 of the \$17,565.00 in overdraft charges was incurred while Ms. Babcock was on extended medical leave. As a result, only the remaining \$17,415.00 of overdraft charges is included in **Exhibit A**.

Redemption of a Certificate of Deposit – During our review of the CDs established at CNB, we identified redemption proceeds from a CD at U.S. Bank. According to supporting documentation obtained from the bank, the U.S. Bank CD had been established in October 1999 by the Clinton Community School District Education Foundation and was an authorized CD. The CD was continuously renewed until February 2006 when Ms. Babcock improperly redeemed it for \$5,182.47 and used the proceeds to establish an unauthorized CD at CNB. Because the original CD was an authorized District CD improperly redeemed by Ms. Babcock, the \$5,182.47 is included in **Exhibit A** as an improper disbursement.

OTHER INFORMATION

E-rate Program – As previously stated, Ms. Babcock conducted a personal consulting business related to the E-rate program, originally called "Camanche Consulting Services" or "CCS." She later changed the name to TECS. While we are unable to determine with certainty, it appears TECS represents "Technology E-Rate Consulting Services" or another similar name. The E-rate program is available to educational institutions and libraries and allows for rebate of certain surcharges paid on their utility bills. Entities are able to receive the rebate through direct credit on their utility bill or a rebate check.

For entities which hired Camanche Consulting Services, Ms. Babcock prepared the necessary paperwork for the entities to receive their rebates. According to a representative of the District, she charged a 6% commission for providing this service. The representative also stated Ms. Babcock performed this service for multiple entities, both within and outside of Iowa.

During our review of Ms. Babcock's personal accounts at CNB, we identified 1 account which appeared to be an account for the consulting business. We identified 14 checks totaling \$49,007.71 deposited to the account which were issued to entities other than the consulting business or the District. Based on the images of the checks obtained from the bank, it appears Ms. Babcock completed the entities' paperwork using her home address and the entities' names. As a result, she received and deposited the entire amount of any rebate checks issued to the entities. Because the checks identified are clearly not related to the District, we did not include the \$49,007.71 in **Exhibit A**.

Of the 14 checks identified, 1 was made payable to Clinton Community School District; however, we were unable to determine if the check was intended for the school district in Clinton, Iowa or Clinton, Wisconsin. Therefore, we have not included the amount in **Exhibit A**. We observed checks received for other school districts located in both Iowa and Wisconsin.

Recoverable Assets – As previously stated, the report issued to the District by Studler Doyle was intended for use of the District and the District's insurance provider. The procedures performed by the firm were not designed and/or performed to identify all undeposited collections. The procedures were performed only to ensure the amount of loss claimed by the District for insurance purposes was properly supported. The District's maximum insurance coverage for the loss was \$500,000.00.

The District has filed a claim with its insurance provider for the maximum amount of the coverage allowed by its policy. However, over \$700,000.00 of additional losses have been identified. As a result, the District may seek additional recovery methods.

By reviewing Ms. Babcock's bank statements and other information obtained throughout the course of the investigation, we identified several bank accounts and other assets held by Ms. Babcock which could potentially be recovered by the District. The accounts and balances identified are listed in **Table 9**. According to District officials, some of the accounts established by Ms. Babcock were frozen when concerns were identified at the District. We are unable to determine the current status of the accounts listed in **Table 9**.

Table 9

Date Confirmed	Financial Institution	Amount
01/19/10	MCCCU	\$ 243,937.77
02/28/10	CNB (8 accounts)	132,250.41
02/28/10	U.S. Bank	125,437.13
03/31/10	U.S. Bank (IRA)	7,719.81*
02/28/10	Wells Fargo (4 accounts)	105,649.49*
01/19/10	Citizens First Bank	90,553.88
	Total	<u>\$ 705,548.49</u>

* - Includes investments subject to market changes.

We also identified 2 properties owned by Ms. Babcock, 1 residential and 1 rental. According to registration records obtained from the County Treasurer's Office, Ms. Babcock also owned 2 vehicles, a Hummer H2 and a Cadillac Escalade. However, the registration for the Cadillac Escalade expired April 30, 2010 and had not been renewed as of July 20, 2010. According to a representative of the County Treasurer's Office, the vehicle had not been sold in Iowa or their records would contain that information. In addition, we identified 1 boat listed in the information provided by the County Treasurer's Office. Studler Doyle identified 2 boats in the report provided to the District's insurance company. However, we were unable to obtain any information about those 2 boats. The boat we identified did not match the description for either of the 2 identified by Studler Doyle.

Ms. Babcock also holds a retirement account at IPERS which was valued at \$36,446.79 as of December 31, 2009.

Stale Dated Check – We identified 1 check issued to the District in July 2008 for \$30,336.95 which Ms. Babcock attempted to deposit to the checking account at MCCCU in July 2009. However, the face of the check stated "Void after 90 days"; therefore, the check was rejected by the credit union. We inquired of Business Office personnel if a replacement check had been obtained by the District. As a result, we determined a replacement check issued in October 2008 was deposited by the District in November 2008. The replacement check was received by the District while Ms. Babcock was on extended medical leave. Because the replacement check was deposited by the District, the check is not included in **Exhibit A**.

Administrative Oversight – Throughout the course of the investigation, we identified several areas in which Ms. Babcock or Mr. Isaac were not properly carrying out the duties of their positions. Our concerns are summarized in the following paragraphs.

- According to Business Office personnel, Ms. Babcock recorded checks received to 1 account code in the District's accounting system and subsequently recorded adjusting journal entries to transfer revenues to the proper code. According to Mr. Isaac, he was unaware of this practice but would not have considered it acceptable had he known. According to the current Business Manager, this practice has been discontinued.

- Ms. Babcock was responsible for billing surrounding community school districts for special education tuition and open enrollment. According to Business Office personnel, the invoices were prepared in Microsoft Excel and Ms. Babcock did not retain copies of all invoices sent. As a result, the District's billing records were incomplete. In addition, the invoices were not reviewed by Mr. Isaac or another independent person prior to being sent. Ms. Babcock was also responsible for collection and deposit of these funds.
- Ms. Babcock was responsible for all deposit preparation. We identified several deposits which were not itemized. In addition, as previously stated, we identified several checks received by the District which were not deposited in a timely manner.
- Ms. Babcock was responsible for preparation of the monthly bank reconciliations; however, she was not completing this task. According to Mr. Isaac and Ms. Babcock's personnel file, she was disciplined for not preparing bank reconciliations and was instructed to start preparing them. However, she still did not complete the task. In addition, Ms. Babcock was the only individual receiving and reviewing the bank statements.
- Ms. Babcock was responsible for monitoring District funds and investing in CDs, as deemed appropriate. However, there is no documentation of investments made and no record of review or approval by the Business Manager or the Board.
- Ms. Babcock was responsible for approving the final payroll register and preparing reconciliations between the general and subsidiary ledgers. However, she was not performing any of these tasks.
- Mr. Isaac prepared financial reports for the Board; however, the reports were not reconciled to the accounting system.

According to a representative of the Business Office, procedures for collections have since been changed. Currently, 1 person logs all checks on the initial listing as the mail is opened. In addition, all mail is opened regardless of whether it is specifically addressed. The Business Manager then records the payments received in the District's accounting system and prepares the "Cash Receipts Edit List." However, the receipts are not posted at this time but are put in suspense. The cash receipts are then given to the Accounts Payable Supervisor who prepares the deposit slip, itemizing each check received. The Accounts Payable Supervisor gives a copy of the deposit slip and the "Cash Receipts Edit List" to the Payroll Supervisor. After the validated deposit slip is received from the bank, the Payroll Supervisor reconciles the amounts itemized on the deposit slip to the initial listing prepared by the mail opener. If no discrepancies are identified, the Payroll Supervisor posts the transactions in the District's accounting system.

In addition, the billing process has been changed. Currently, 1 individual prepares the invoices for the entities billed and provides the invoice detail to the Business Manager. The Business Manager then reconciles payments received and deposited to the invoiced amounts. Also, according to the Business Manager, bank reconciliations will be prepared on a monthly basis.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Clinton Community School District to perform bank reconciliations and process receipts, disbursements and payroll. An important aspect of internal control is to establish procedures which 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 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 District's internal controls.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible.

The District's former Business Office Supervisor had both custody of collections and responsibility for recording collections received in the Business Office. Specifically, she was responsible for performing the following duties:

- Billing, collecting, posting and depositing receipts from surrounding community school districts for special education tuition and open enrollment,
- Periodically collecting, recording and depositing miscellaneous collections,
- Monitoring and investing District funds in CDs,
- Monitoring sufficiency of funds in the District's disbursement account,
- Approving the final payroll register,
- Preparing and recording adjusting journal entries and
- Preparing reconciliations between the general and subsidiary ledgers and monthly bank reconciliations.

We also determined there is a primary individual responsible for processing disbursements and a primary individual responsible for processing payroll.

Recommendation – We realize segregation of duties is difficult. However, the duties within each function listed above should be segregated between appropriate Business Office staff. In addition, parties independent of other financial responsibilities should periodically compare supporting documentation to the amounts deposited to the bank and recorded in the accounting system.

B. Reconciliations – We identified several instances where reconciliations are not properly prepared, as follows:

- Bank reconciliations are not prepared on a monthly basis.
- Reconciliations between the District's accounting system and the District's student database were not periodically performed to ensure registration, activity and other fees were recorded to both systems.
- Bank deposits were not reconciled to the initial listing prepared by the individual responsible for opening the mail.
- Financial reports prepared were not reconciled to the accounting system.

Recommendation – The District should develop and implement policies and procedures to ensure the accounting system is reconciled to supporting systems, financial reports prepared agree with the accounting systems and bank reconciliations are prepared on a monthly basis. The reconciliations should also be reviewed by a party independent of their preparation.

C. Unauthorized Accounts – We identified several bank accounts and CDs established by Ms. Babcock without approval by the Board. As previously stated, she was given sole responsibility for monitoring and investing District funds but no listing of investments was maintained and an independent person did not review the bank statements. Also, all mail addressed specifically to Ms. Babcock was given to her unopened.

Recommendation – The Board should review and approve all investments of District funds and a listing of investments held should be maintained and periodically reviewed by the Board. In addition, a person independent of the bank reconciliation process should review the bank statements and all mail not marked "personal to be opened by addressee only" should be opened and examined by a responsible individual.

- D. Deposit of District Collections – As previously stated, Ms. Babcock was responsible for depositing all collections received by the Business Office. However, we identified several payments received which were not deposited in a timely manner, as follows:

- 39 of 79 State warrants tested,
- 7 of 11 Medicaid payments tested and
- 6 of 13 City checks tested.

In addition, we identified several deposit slips which did not itemize the checks being deposited. Also, according to the individual responsible for opening the mail, the initial listing did not contain all checks and was not reconciled to the deposits reflected on the bank statements.

Recommendation – The District should implement policies and procedures to ensure all collections received are deposited in a timely manner. In addition, checks received should be itemized on the deposit slip and reconciled to the initial listing to allow for proper follow-up should a discrepancy be identified. All District collections received through the mail should be recorded on the initial listing.

- E. Recording of Receipts – According to a representative of the Business Office, it was Ms. Babcock's practice to record all collections received under the same account code in the District's accounting system. She would then subsequently prepare and record adjusting journal entries to transfer revenues recorded to the proper account code.

Recommendation – The District should implement procedures to ensure all collections received are recorded to the proper account code in the District's accounting system upon receipt.

- F. Travel Reimbursement – Although the District had a procedure in place, there was no written policy regarding travel reimbursements for employees until February 2009. Therefore, we are unable to determine the reasonableness of Ms. Babcock's travel reimbursements.

Recommendation – The District should ensure the travel policy establishes limits for meals, mileage and lodging reimbursement. All claims for reimbursement submitted to the Business Office should be reviewed for compliance with the established policy.

- G. Overbilling of a City Invoice – The City of Clinton agreed to reimburse the District 50% of the actual expenditures for the crossing guards. Ms. Babcock was responsible for preparing this invoice; however, an independent person did not review and approve the invoice prior to its submission for payment to the City.

We identified 1 invoice which overbilled the City \$4,054.96 for its share of crossing guard expenses.

Recommendation – The District should implement procedures to ensure invoices prepared are reviewed for accuracy and approved by an independent person prior to submission for payment.

- H. Overdraft Charges – As previously stated, Ms. Babcock was responsible for monitoring the District's disbursement account to ensure sufficient funds were available to satisfy District obligations. We identified \$17,565.00 of overdraft charges from July 1, 2005 through December 31, 2009. Of this amount, \$150.00 occurred while Ms. Babcock was on extended medical leave.

Recommendation – The District should implement procedures to ensure District bank accounts are maintained at a level sufficient to meet all District obligations.

- I. Scholarship Fund – During the period of our review, the District maintained a memorial scholarship fund for Trudy Proehl which provided scholarships to students achieving certain requirements. During 2006, the District received 4 checks which were to be added to the memorial fund. However, the 4 checks, which totaled \$20,120.00, were used by Ms. Babcock to establish an unauthorized CD.

The Trudy Proehl Memorial scholarship is now maintained by the Clinton Community School District Educational Foundation. The amount of the scholarship fund did not include the \$20,120.00 when it was transferred from the District to the Foundation.

Recommendation – Because the 4 checks were not properly deposited to the scholarship fund when they were received in 2006, they were not used for the specific purpose for which they were donated. The District should ensure the Foundation receives the \$20,120.00 which should have been deposited to the scholarship fund in 2006.

Exhibits

**Special Investigation of the
Clinton Community School District**

Report on Special Investigation of the
Clinton Community School District

Summary of Findings
For the period July 1, 2005 through February 28, 2010

Description	Exhibit/Table/ Page Number	Amount
Undeposited collections and interest:		
Unauthorized or personal accounts or CDs established at local financial institutions:		
Members Choice Community Credit Union	Exhibit B	\$ 647,285.94
Valley Bank	Exhibit C	272,055.14
Clinton National Bank	Exhibit D	169,103.28
Wells Fargo	Page 15	26,049.81
Citizens First Bank	Table 6	25,745.43
Gateway Savings Bank	Table 7	18,526.50
Subtotal of District collections improperly deposited		\$ 1,158,766.10
Interest earned on unauthorized accounts or CDs:		
Members Choice Community Credit Union	Pages 12 and 13	8,630.41
Valley Bank	Exhibit E	2,765.51
Clinton National Bank	Exhibit E	3,617.73
Wells Fargo	Page 15	2,402.64
Citizens First Bank	Pages 15 and 16	1,231.89
Gateway Savings Bank	Exhibit E	215.44
U.S. Bank	Page 16	387.13
Subtotal interest earned		19,250.75
Undeposited cash	Page 17	5,024.00
Undeposited miscellaneous receipts	Table 8	1,610.00
Subtotal undeposited collections and interest		1,184,650.85
Improper disbursements:		
Overdraft charges	Pages 18 and 19	17,415.00
Redemption of a certificate of deposit	Page 19	5,182.47
Subtotal improper disbursements		22,597.47
Total		\$ 1,207,248.32

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized Accounts or CDs at
Members Choice Community Credit Union
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
Deposited to Checking Account:		
08/14/07	Zion Childcare Preschool	\$ 1,245.00
08/31/07	Van Scoy & Kross, P.C.	2,336.00
11/28/07	Interstate Power and Light Co.	5,578.25
11/29/07	Hillcrest Family Services	1,310.00
12/07/07	Principal Financial Group	2,024.10
12/14/07	Eastern Iowa Community College District	5,950.00
04/23/08	United Heartland	40,160.04
08/13/08	City of Clinton	35,177.82
09/15/08	East Central Community School District	25,061.79
09/26/08	River Bend Community	11,608.20
11/25/08	Iowa Telecom	6,220.24
11/25/08	Iowa Telecom	10,672.20

Endorsement	Purpose of Check (If Known)
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	Building rental
<i>None</i>	-
<i>None</i>	-
<i>None</i>	Special education tuition and open enrollment
<i>None</i>	Special education tuition
Deposit Only to 2xxxx (Clinton Education Excellence Foundation)	-
Deposit Only to 2xxxx (Clinton Education Excellence Foundation)	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized Accounts or CDs at
Members Choice Community Credit Union
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
12/15/08	East Central Community School District	4,083.61
12/17/08	Davenport Community School District	4,410.78
12/19/08	Camanche Community School District	13,178.55
01/23/09	New Directions	3,000.00
01/26/09	Quality Care Clinic (Ahmed E. Elahmady, MD)	21,942.00
01/27/09	Clinton National Bank	6,000.00
03/04/09	Davenport Community School District	16,481.52
04/09/09	Wellmark BlueCross BlueShield of Iowa	17,183.59
04/15/09	United Heartland	44,932.14
04/30/09	Interstate Power Systems, Inc.	1,243.09
05/14/09	Iowa Association of School Boards	28,229.48
05/18/09	Camanche Community School District	30,735.90

Endorsement	Purpose of Check (If Known)
Deposit Only to 2xxxx (Clinton Education Excellence Foundation)	Special education tuition
Deposit Only to 2xxxx (Clinton Education Excellence Foundation)	Tuition
Deposit Only to 2xxxx (Clinton Education Excellence Foundation)	Special education tuition
For deposit to Acct #2xxxx (Clinton Education Excellence Foundation)	Match for the Safe and Drug Free School grant
For deposit only to #2xxxx (Clinton Education Excellence Foundation)	Out-of-state tuition
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Foundation support for the theater project
* For Deposit Only Clinton Community School District Deposit to 2xxxx (Handwritten)	Tuition
Deposit to 2xxxx (Clinton Education Excellence Foundation)	Overpayment of self-funded insurance plan
D Babcock For Deposit Only	Dividend
* For Deposit Only Clinton Community School District Transportation	Warranty claim
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	-
For deposit only 2xxxx (Clinton Education Excellence Foundation)	Alternative tuition

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized Accounts or CDs at
Members Choice Community Credit Union
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
05/22/09	Prince of Peace Schools	1,527.64
05/30/09	Clinton County Conservation Foundation	1,120.00
06/06/09	Clinton Community School District Education Foundation	687.05
06/10/09	Clinton Community School District Education Foundation	11,399.94
06/12/09	Eastern Iowa Community College District	5,950.00
06/19/09	Mississippi Bend Area Education Agency	21,105.81
06/30/09	Central Community School District	22,944.97
06/30/09	City of Clinton	21,342.82
07/06/09	Iowa Medicaid Enterprise	29,760.84
07/13/09	North Scott Community School District	24,720.61
07/20/09	Camanche Community School District	44,060.87
07/23/09	North Scott Community School District	5,215.60

Endorsement	Purpose of Check (If Known)
* For Deposit Only Clinton Community School District	Transportation
* For Deposit Only Clinton Community School District	Reimbursement for field trips
None	Sound system
None	Reimbursement of salary and benefits for the Foundation Director
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Building rental
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Contracted vision services
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Special education
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Crossing guard
None	Medicaid claims
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Special education
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Special education
* For Deposit Only Clinton Community School District Acct 2xxxx (Handwritten)	Special education

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized Accounts or CDs at
Members Choice Community Credit Union
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
08/06/09	Quality Care Clinic (Ahmed E. Elahmady, MD)	11,628.00
09/01/09	Clinton National Bank	10,900.00
09/22/09	MedSoft Corporation	511.41
09/24/09	EMC Insurance Companies	1,175.00
09/25/09	River Bend Community	15,010.12
09/30/09	Sun Life Financial	295.20
10/21/09	Cobra Today	1,570.95
Subtotal		<u>569,691.13</u>
Used to Establish Certificates of Deposit (CDs):		
CD #3		
06/29/07	Mississippi Bend Area Education Agency	23,701.48
CD #4		
07/25/07	City of Clinton	21,459.54
CD #5		
08/10/07	EMC Insurance Companies	32,433.79
Subtotal		<u>77,594.81</u>
Total		<u><u>\$ 647,285.94</u></u>

* - Endorsement stamped on back of check.

** - Check issued to Clinton Education Excellence Foundation.

Note: Items in italics added or redacted by auditor.

Endorsement	Purpose of Check (If Known)
For Deposit Only to Acct #2xxxx <i>(Clinton Education Excellence Foundation)</i>	Out-of-state tuition
For Deposit Only to Acct #2xxxx <i>(Clinton Education Excellence Foundation)</i>	Vendor payment
<i>None</i>	-
* For Deposit Only Clinton Community School District Acct 2xxxx <i>(Handwritten)</i>	Damage claim for lightning damage
* For Deposit Only Clinton Community School District Acct 2xxxx <i>(Handwritten)</i>	Special education
Deposit to 2xxxx <i>(Clinton Education Excellence Foundation)</i>	-
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	Contracted vision services
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized CDs at Valley Bank
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
Used to Establish Certificates of Deposit (CDs):		
CD #1		
06/10/07	Dancemakers	\$ 1,150.00
06/14/07	Northeast Community School District	3,150.00
06/15/07	Eastern Iowa Community College District	6,825.00
Subtotal		<u>11,125.00</u>
CD #2^		
04/21/06	Jeffery A. Or Nancy L. Saionz	76.95
06/01/06	Kay A. Hake	175.00
06/06/07	University of Iowa	40.00
06/21/07	CHS Faculty Activity	567.00
07/11/07	Core-Vens	890.00
Subtotal		<u>1,748.95</u>
CD #3		
10/15/07	Camanche Community School District	29,309.93
11/07/07	Davenport Community School District	10,072.31
Subtotal		<u>39,382.24</u>

Endorsement	Purpose of Check (If Known)
* Clinton Community School District Clinton, Iowa	Rental
* Clinton Community School District Clinton, Iowa	Reading academy registration
* Clinton Community School District Clinton, Iowa	Building rental
* For Deposit Only Clinton Community School District Clinton, Iowa	Books
* For Deposit Only Clinton Community School District Clinton, Iowa	Continuing education
* For Deposit Only Clinton Community School District	-
* For Deposit Only Clinton Community School District	-
<i>None</i>	-
* For Deposit Only Clinton Community School District	Special education tuition
* For Deposit Only Clinton Community School District	Tuition

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized CDs at Valley Bank
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
CD #4		
12/21/07	Interstate Power and Light Co	30,264.41
CD #5		
01/10/08	Wellmark BlueCross Blueshield of Iowa	3,385.11
03/10/08	North Scott Community School District	8,956.47
03/28/08	Eastern Iowa Community College District	6,825.00
Subtotal		19,166.58
CD #6		
03/17/08	Camanche Community School District	14,533.14
05/05/08	Iowa Medicaid Enterprise	16,230.24
05/19/08	Camanche Community School District	9,694.74
Subtotal		40,458.12
CD #7		
03/11/08	Pearson Education	945.00
03/28/08	Qwest Corporation	782.40
04/28/08	Iowa Telecom	12,927.22
05/10/08	Clinton Community School District Education Foundation	7,000.00
Subtotal		21,654.62
CD #8		
05/22/08	Iowa Association of School Boards	27,973.29
05/27/08	North Scott Community School District	4,847.37
06/13/08	Eastern Iowa Community College District	5,950.00
Subtotal		38,770.66

Endorsement	Purpose of Check (If Known)
<i>None</i>	-
* For Deposit Only Clinton Community School District	-
* Clinton Community School District Clinton, Iowa	Special education tuition
<i>None</i>	Building rental
<i>None</i>	Special education
<i>None</i>	Medicaid claims
<i>None</i>	Special education
<i>None</i>	-
<i>None</i>	-
<i>None</i>	-
<i>None</i>	-
<i>None</i>	-
<i>None</i>	Special education
<i>None</i>	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Unauthorized CDs at Valley Bank
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
CD #9		
06/04/08	Prince of Peace Schools	2,362.80
06/05/08	Hillcrest Family Services	1,540.00
06/18/08	EMC Insurance Companies	8,761.49
06/29/08	Mississippi Bend Area Education Agency	19,810.92
07/14/08	North Scott Community School District	7,455.61
Subtotal		<u>39,930.82</u>
CD #10		
01/31/08	Area Substance Abuse Council, Inc.	5,000.00
06/16/08	Clinton Community School District Education Foundation	4,460.33
06/27/08	Mississippi Bend Area Education Agency	11,817.00
07/17/08	Clinton National Bank	3,172.72
07/28/08	Iowa Medicaid Enterprise	5,103.69
Subtotal		<u>29,553.74</u>
Total		<u><u>\$ 272,055.14</u></u>

* - Endorsement stamped on back of check.

^ - Also includes redemption of CDs from other financial
institutions. See **Exhibit E**.

Note: Items in italics added or redacted by auditor.

Endorsement	Purpose of Check (If Known)
None	Transportation
None	Lunches
None	Theft loss
None	Contracted vision services
None	Special education
None	Bid on school building purchase
None	-
None	Special education support services
None	Donation from a private estate
None	Medicaid claims

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank

For the period July 1, 2005 through February 28, 2010

Per Redeemed Check

Date	Payor	Amount
Deposited to Checking Account:		
09/18/06	Linda Cornelius	\$ 1,194.00
10/10/06	Bruce Bothwell	501.50
10/17/06	Linda Cornelius	1,194.00
11/10/06	Bruce Bothwell	501.50
01/10/07	Bruce Bothwell	501.50
01/21/07	Linda Cornelius	1,194.00
02/10/07	Bruce Bothwell	501.50
02/23/07	Cathy Grugin	1,012.00
03/05/07	Cathy Grugin	1,012.00
04/01/07	Cathy Grugin	1,012.00
05/01/07	Cathy Grugin	1,012.00
06/05/07	Cathy Grugin	1,012.00
06/30/07	Cathy Grugin	643.68

Endorsement	Purpose of Check (If Known)
Denise Babcock	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
Denise Babcock	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
None	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium
For Deposit Only Acct #2xxxxx <i>(Personal account held by Ms. Babcock)</i>	Health insurance premium

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
08/01/07	Cathy Grugin	643.68
08/30/07	Cathy Grugin	643.68
10/01/07	Cathy Grugin	643.68
11/07/07	Cathy Grugin	643.68
12/03/07	Cathy Grugin	643.68
01/02/07 ~	Cathy Grugin	643.68
01/30/08	Cathy Grugin	643.68
03/03/08	Cathy Grugin	631.68
04/01/08	Cathy Grugin	631.68
05/02/08	Cathy Grugin	631.68
06/30/08	Cathy Grugin	631.68
Subtotal		<u>18,324.16</u>
Used to Establish Certificates of Deposit (CDs):		
CD #2		
11/18/05	Pepsi/G. Baker Dist., Inc.	2,000.00
02/03/06	Pepsi/G. Baker Dist., Inc.	2,000.00
Subtotal		<u>4,000.00</u>

Endorsement	Purpose of Check (If Known)
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
Illegible	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For Deposit Only Acct #2xxxxx (Personal account held by Ms. Babcock)	Health insurance premium
For deposit only	Health insurance premium
None	Health insurance premium
* Clinton Community School District Clinton, Iowa	-
* Clinton Community School District Clinton, Iowa	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank

For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
CD #3		
01/23/06	W.D. Van Atta/Mona Van Atta	100.00
01/30/06	Johnson Family Trust	5.00
03/14/06	Bank of America	20,000.00
06/27/06	Jane K. Whipple/Lynne A. Hayden	15.00
Subtotal		<u>20,120.00</u>
CD #4		
12/13/06	City of Clinton	<u>20,070.00</u>
CD #5		
09/27/06	Raymond P Wilden, Jr/June Christensen Wilden	1,499.55
10/11/06	Cathy Grugin	1,012.00
10/30/06	Zion Childcare Preschool	1,512.00
11/13/06	Prince of Peace Schools	2,586.05
11/16/06	Hillcrest Family Services	4,093.50
11/22/06	Hillcrest Family Services	1,075.80
Subtotal		<u>11,778.90</u>

Endorsement	Purpose of Check (If Known)
* Clinton Community School District Clinton, Iowa	In memoriam donation
* Clinton Community School District Clinton, Iowa	In memoriam donation
* Clinton Community School District Clinton, Iowa	Donation from private estate
* Clinton Community School District Clinton, Iowa	In memoriam donation
<i>None</i>	-
* Clinton Community School District Clinton, Iowa	Clinton High School suit collection
* Clinton Community School District Clinton, Iowa	Health insurance premuim
* Clinton Community School District Clinton, Iowa	Meals
* Clinton Community School District Clinton, Iowa	Transportation
* Clinton Community School District Clinton, Iowa	-
* Clinton Community School District Clinton, Iowa	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank

For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
CD #6		
04/04/07	Davenport Community School District	8,853.94
05/03/07	Aim Healthcare Services, Inc.	11,121.71
05/15/07	Iowa Congress of Parents and Teachers	575.00
Subtotal		<u>20,550.65</u>
CD #7^		
06/22/07	Mississippi Bend Area Education Agency	<u>11,139.00</u>
CD #8		
03/27/07	EMC Insurance Companies	2,695.70
05/16/07	Prince of Peace Schools	3,937.45
07/05/07	Exelon Generation Co	624.36
07/31/07	YWCA of Clinton	702.27
08/29/07	Clinton National Bank	12,386.89
08/31/07	Jennifer L Green/Edward P Green	110.00
09/06/07	Charles M. or Jackie R. Mulholland	54.00
09/06/07	Family Affhair/Michelle M Paulsen	70.00
09/30/07	Ronald L Genco, Jr/Emily R Genco	150.00
10/15/07	Iowa Medicaid Enterprise	72.00
10/23/07	Teller Cash In Ticket	2.30
Subtotal		<u>20,804.97</u>

Endorsement	Purpose of Check (If Known)
Clinton School District	Tuition
Clinton School District	-
For Deposit Only Clinton School District	-
* Clinton Community School District	Special education support services
* For Deposit Only Clinton Community School District Clinton, Iowa	Collision damage
* For Deposit Only Clinton Community School District Clinton, Iowa	Transportation
* For Deposit Only Clinton Community School District Clinton, Iowa	-
* For Deposit Only Clinton Community School District Clinton, Iowa Transportation	Transportation
* For Deposit Only Clinton Community School District Clinton, Iowa	Interest on a certificate of deposit
* For Deposit Only Clinton Community School District Clinton, Iowa	-
* For Deposit Only Clinton Community School District Clinton, Iowa	-
* For Deposit Only Clinton Community School District Clinton, Iowa	Clinton High School athletics
* For Deposit Only Clinton Community School District Clinton, Iowa	-
* For Deposit Only Clinton Community School District Clinton, Iowa	Medicaid claim
<i>Not applicable</i>	<i>Not applicable</i>

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank

For the period July 1, 2005 through February 28, 2010

Per Redeemed Check

Date	Payor	Amount
CD #9		
11/26/07	Zion Childcare Preschool	1,792.50
12/10/07	Symphony of Lights/Clinton Jaycees	264.00
12/20/07	United Heartland	409.85
01/07/08	United Heartland	409.85
01/14/08	United Heartland	409.85
01/18/08	United Heartland	409.85
01/21/08	Core-Vens and Company Inc	10,573.64
01/28/08	United Heartland	409.85
01/31/08	Pitney Bowes	3,962.90
02/01/08	Christine J Nichols/Dale H Nichols	30.00
02/11/08	United Heartland	409.85
02/15/08	United Heartland	409.85
02/19/08	Douglas D Larson/Susan J Larson	40.00
02/22/08	Steven R Smith Or Delores O Smith	30.00

Endorsement	Purpose of Check (If Known)
* For Deposit Only Clinton Community School District Clinton, Iowa	-
* For Deposit Only Clinton Community School District Clinton, Iowa Transportation	-
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Refund of premium adjustments
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Refund
* For Deposit Only Clinton Community School District Clinton, Iowa	Jury duty
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	Jury duty
* For Deposit Only Clinton Community School District Clinton, Iowa	Jury duty

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank

For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
02/25/08	United Heartland	409.85
02/28/08	Konstantine C Eyskens/Julie A Eyskens	25.00
02/28/08	Steven B Maddie/Kimberly L Maddie	30.00
03/03/08	James D or Renee L Shovlain	25.00
03/03/08	United Heartland	409.85
03/07/08	Bernon L Stewart/Ruth M Stewart	75.00
03/10/08	United Heartland	409.85
03/14/08	Heather L Ray	20.00
03/18/08	Teller Cash In Ticket	6.24
Subtotal		<u>20,972.78</u>
CD #11		
08/20/08	New Directions	173.00
08/23/08	Prince of Peace Schools	242.54
08/27/08	City of Clinton	962.50
09/04/08	Gateway Driver Education School	220.00
09/04/08	Bacor Ltd	47.04

Endorsement	Purpose of Check (If Known)
<i>None</i>	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	'Walking with Dinosaurs' admission
<i>None</i>	-
* For Deposit Only Clinton Community School District Clinton, Iowa	'Walking with Dinosaurs' admission
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	'Walking with Dinosaurs' admission
* For Deposit Only Clinton Community School District Clinton, Iowa	Workers' compensation claim
* For Deposit Only Clinton Community School District Clinton, Iowa	-
<i>Not applicable</i>	<i>Not applicable</i>
<i>None</i>	-
<i>None</i>	Transportation
<i>None</i>	Building rental
<i>None</i>	Rental
* For Deposit Only Clinton Community School District Clinton, Iowa Transportation	-

Report on Special Investigation of the
Clinton Community School District

District Collections Deposited to Personal Accounts or Unauthorized CDs
at Clinton National Bank
For the period July 1, 2005 through February 28, 2010

Per Redeemed Check		
Date	Payor	Amount
09/08/08	Iowa Medicaid Enterprise	12,013.08
09/09/08	Clinton Education Association	124.85
09/16/08	State of Iowa	795.45
09/18/08	Zion Childcare Preschool	654.00
09/18/08	State of Iowa	2,934.05
09/18/08	Hillcrest Family Services	2,685.50
09/19/08	Mississippi Bend Area Education Agency	300.00
09/21/08	Partners for Exceptional People of Clinton County	188.24
09/25/08	Bank adjustment	2.57
Subtotal		21,342.82
Total		\$ 169,103.28

~ - Date written on check was 1/2/07. Because it cleared the bank
on 3/20/08, it appears it was actually prepared on 1/2/08.

* - Endorsement stamped on back of check.

^ - Also includes redemption of CDs from other financial institutions
See **Exhibit E**.

Note: Items in italics added or redacted by auditor.

Endorsement	Purpose of Check (If Known)
<i>None</i>	Medicaid claims
<i>None</i>	Half the cost of 30 dozen donuts
<i>None</i>	Prevention through Mentoring Services
<i>None</i>	Meals
<i>None</i>	Youth Mentoring Services
<i>None</i>	Rental
<i>None</i>	Registration
<i>None</i>	Transportation
<i>Not applicable</i>	<i>Not applicable</i>

Report on Special Investigation of the
Clinton Community School District

Summary of Certificates of Deposit
For the period July 1, 2005 through February 28, 2010

Source of Amounts Deposited to Establish the Certificates of Deposit

Certificate of Deposit	Origination Date	Description	Checks**	Matured Certificates of Deposit	Transfers from MCCCU Checking Account	Total
Members Choice Community Credit Union (MCCCU):						
CD #1	07/10/07	Clinton National Bank CD #4	\$ -	11,995.02	45,833.66	57,828.68
CD #2	07/12/07	Citizens First Bank CD #1	-	14,982.56	-	14,982.56
CD #3	07/18/07	Exhibit B	23,701.48	-	-	23,701.48
CD #4	08/03/07	Exhibit B	21,459.54	-	-	21,459.54
CD #5	08/30/07	Exhibit B	32,433.79	-	65,727.70	98,161.49
Subtotal			77,594.81	26,977.58	111,561.36	216,133.75
Valley Bank:						
CD #1	06/20/07	Exhibit C	11,125.00	-	-	11,125.00
CD #2	07/17/07	Exhibit C and Gateway Savings Bank CD #1 & #2	1,748.95	18,741.94	-	20,490.89
CD #3	01/10/08	Exhibit C	39,382.24	-	-	39,382.24
CD #4	01/21/08	Exhibit C	30,264.41	-	-	30,264.41
CD #5	03/14/08	Exhibit C	19,166.58	-	-	19,166.58
CD #6	05/30/08	Exhibit C	40,458.12	-	-	40,458.12
CD #7	06/10/08	Exhibit C	21,654.62	-	-	21,654.62
CD #8	06/26/08	Exhibit C	38,770.66	-	-	38,770.66
CD #9	08/13/08	Exhibit C	39,930.82	-	-	39,930.82
CD #10	08/20/08	Exhibit C	29,553.74	-	-	29,553.74
Subtotal			272,055.14	18,741.94	-	290,797.08
Clinton National Bank (CNB):						
CD #1	02/22/06	U.S. Bank^^	-	5,182.47	-	5,182.47
CD #2	03/25/06	Exhibit D	4,000.00	-	-	4,000.00
CD #3	04/06/06	Exhibit D	20,120.00	-	-	20,120.00
CD #4	12/19/06	Exhibit D	20,070.00	-	-	20,070.00
CD #5	02/14/07	Exhibit D	11,778.90	-	-	11,778.90
CD #6	06/21/07	Exhibit D	20,550.65	-	-	20,550.65
CD #7	07/06/07	Exhibit D and CNB CD #4	11,139.00	20,564.32	-	31,703.32
CD #8	10/23/07	Exhibit D	20,804.97	-	-	20,804.97
CD #9	03/18/08	Exhibit D	20,972.78	-	-	20,972.78
CD #10	05/15/08	Citizens First Bank CD #2	-	11,719.86	-	11,719.86
CD #11	09/25/08	Exhibit D	21,342.82	-	-	21,342.82
Subtotal			150,779.12	37,466.65	-	188,245.77

Interest Earned	Total Redeemed Amount	Redemption Date	Deposited To	Name on Account
2,500.11	60,328.79	11/12/09	Citizens First Bank Checking	Denisa Babcock
189.42	15,171.98	02/21/08	MCCCU-Checking	Clinton Education Excellence, Denisa Babcock
299.64	24,001.12	02/21/08	MCCCU-Checking	Clinton Education Excellence, Denisa Babcock
271.30	21,730.84	02/21/08	MCCCU-Checking	Clinton Education Excellence, Denisa Babcock
4,512.04	102,673.53	11/13/09	MCCCU-Checking	Clinton Education Excellence, Denisa Babcock
<u>7,772.51</u>	<u>223,906.26</u>			
122.26	11,247.26	09/27/07	Wells Fargo Checking	Denisa Babcock
225.39	20,716.28	10/19/07	Wells Fargo Checking	Denisa Babcock
398.63	39,780.87	04/11/08	Wells Fargo Checking	Denisa Babcock
306.34	30,570.75	04/28/08	Wells Fargo Checking	Denisa Babcock
159.42	19,326.00	06/18/08	Wells Fargo Checking	Denisa Babcock
275.34	40,733.46	09/03/08	Wells Fargo Checking	Denisa Babcock
147.37	21,801.99	09/18/08	Wells Fargo Checking	Denisa Babcock
263.85	39,034.51	09/29/08	Wells Fargo Checking	Denisa Babcock
648.17	40,578.99	02/23/09	Wells Fargo Checking	Denisa Babcock
218.74	29,772.48	12/01/08	Wells Fargo Checking	Denisa Babcock
<u>2,765.51</u>	<u>293,562.59</u>			
210.44	5,392.91	01/27/07	CNB Checking	Chad and Denisa Babcock
175.14	4,175.14	03/06/07	Wells Fargo Checking	Denisa Babcock
863.02	20,983.02	03/06/07	Wells Fargo Checking & CD	Denisa Babcock
494.32	20,564.32	06/20/07	CNB CD #7	Clinton Education Excellence
216.12	11,995.02	07/05/07	MCCCU CD #1	Clinton Education Excellence, Denisa Babcock
254.32	20,804.97	10/22/07	Wells Fargo Checking	Denisa Babcock
392.34	32,095.66	10/12/07	Wells Fargo Checking	Denisa Babcock
167.81	20,972.78	@ 02/15/08	Wells Fargo Checking	Denisa Babcock
370.04	21,342.82	09/25/08	Wells Fargo Checking	Denisa Babcock
322.30	12,042.16	@ 05/26/09	MCCCU/Wells Fargo Checking	Denisa Babcock
151.88	21,494.70	03/27/09	Wells Fargo Checking	Denisa Babcock
<u>3,617.73</u>	<u>191,863.50</u>			

Report on Special Investigation of the
Clinton Community School District

Summary of Certificates of Deposit
For the period July 1, 2005 through February 28, 2010

Source of Amounts Deposited to Establish the Certificates of Deposit						
Certificate of Deposit	Origination Date	Description	Checks**	Matured Certificates of Deposit	Transfers from MCCCU Checking Account	Total
Citizens First Bank:						
CD #1	11/03/06	Table 6	14,473.00	-	-	14,473.00
CD #2	07/11/07	Table 6	11,272.43	-	-	11,272.43
Subtotal			25,745.43	-	-	25,745.43
Gateway Savings Bank:						
CD #1	09/22/06	Table 7	14,266.00	-	-	14,266.00
CD #2	11/03/06	Table 7	4,260.50	-	-	4,260.50
Subtotal			18,526.50	-	-	18,526.50
Grand Total			\$ 544,701.00	83,186.17	111,561.36	739,448.53

** - Individual checks are listed in **Exhibits B** through **D** and **Tables 6** and **7**.

^^ - Authorized District certificate of deposit improperly redeemed and deposited by Ms. Babcock.

@ - Separate checks were issued for the interest on these CDs. For CD#8, a \$167.81 check was issued on 02/15/08 and deposited to Ms. Babcock's personal checking account at Wells Fargo. For CD #10, 4 separate interest checks were issued. Each was deposited to the unauthorized checking account Ms. Babcock established at MCCCU. The \$11,719.86 of principal was deposited to Ms. Babcock's personal checking account at Wells Fargo.

Interest Earned	Total Redeemed Amount	Redemption Date	Deposited To	Name on Account
509.56	14,982.56	07/11/07	MCCCU CD #2	Clinton Education Excellence, Denisa Babcock
447.43	11,719.86	04/14/08	CNB CD #10	Clinton Education Excellence Foundation
956.99	26,702.42			
184.98	14,450.98	03/20/07	Valley Bank CD #2	Clinton Community School District, Denisa Babcock
30.46	4,290.96	03/20/07	Valley Bank CD #2	Clinton Community School District, Denisa Babcock
215.44	18,741.94			
15,328.18	754,776.71			

Report on Special Investigation of the
Clinton Community School District

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor
Jacqueline E. Gulick, Assistant Auditor
Alison P. Herold, Assistant Auditor

A handwritten signature in black ink that reads "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

**Report on Special Investigation of the
Clinton Community School District**

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Invoices Prepared by Denisa Babcock

SPECIAL EDUCATION BILLING FOR 2008/2009

North Scott Community School District
251 East Iowa Street, Eldridge, IA 52748
563-285-4819

<i>District</i>	<i>Student Name</i>	<i>Grd</i>	<i>Weighting & Program</i>	<i>Cost per Day</i>	<i>Total Number of Days Attended</i>	<i>Total for 1st Quarter</i>
North Scott		8	3.74 BD/SCC	\$ 50.28	156	\$24,720.61
						\$ 24,720.61

TOTAL DUE CLINTON COMMUNITY SCHOOL DISTRICT

\$ 24,720.61

Attn: Denise Babcock
600 S 4th Street
Clinton IA 52732

This billing is based on the actual invoice from Hillcrest Family Services for services provided between 8/21/08 and 05/01/09

3/26/2010

Appendix 1

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Invoices Prepared by Denisa Babcock

SPECIAL EDUCATION BILLING FOR 2008/2009

Central Clinton Community School District
403 11th Avenue, DeWitt IA 52742
563-659-0704

<i>District</i>	<i>Student Name</i>	<i>Grd</i>	<i>Weighting & Program</i>	<i>Cost per Day</i>	<i>Total Number of Days Attended</i>	<i>Total for 1st Quarter</i>
Central		8	3.74 BD/SCC	\$ 144.31	159	\$22,944.97
						\$ 22,944.97

TOTAL DUE CLINTON COMMUNITY SCHOOL DISTRICT

\$ 22,944.97

Attn: Denise Babcock
600 S 4th Street
Clinton IA 52732

This billing is based on the actual invoice from Hillcrest Family Services for services provided between 8/21/08 and 06/08/09


3/26/2010

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Invoices Prepared by Denisa Babcock

2008-2009 ALTERNATIVE TUITION INFORMATION (2nd HALF)

June 8, 2009

CAMANCHE		\$5,673.65				
STUDENT NAME	LOCATION	START	DAYS	TUITION DUE	Paid to Date	TOTAL DUE
	Lincoln	08/21/08	51	\$1,607.53	\$1,488.63	\$118.90
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	24	Sped Bill	\$0.00	
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	51	\$1,607.53	\$1,488.63	\$118.90
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	51	\$1,607.53	\$1,488.63	\$118.90
	J) Lincoln	08/21/08	180	Sped Bill	\$0.00	
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
	Lincoln	08/21/08	180	\$5,673.65	\$2,627.00	\$3,046.65
				\$61,559.10	\$30,735.89	\$30,823.21

* \$ 5673.65 (2008-2009 tuition per contract)

TOTAL DUE CLINTON COMMUNITY SCHOOL DISTRICT **\$30,823.21**
600 S 4th Street
Clinton, IA 52732
563-243-9600 x24

****Please mail to the attention of Denise Babcock. Thank you.

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Bank Statements and Other Documents

Statement of Accounts



CLINTON COMMUNITY SCHOOL DIST
PROEHL SCHOLARSHIP
600 S 4TH ST
CLINTON IA 52732-5647

December 31, 2008
Total days in statement period: 98
Page 1 of 2

Direct Inquiries to:
563 243-1243, OR 800-243-9007

Clinton National Bank
PO Box 1510
Clinton, IA 52733-1510

Summary of Account Balances

<i>Account</i>	<i>Number</i>	<i>Ending Balance</i>
Certificate Of Deposit		\$21,419.05

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Bank Statements and Other Documents

Statement of Accounts



CLINTON EDUCATION EXCELLENCE FOUNDATION
ATTN: DENISA BABCOCK
PO BOX 213
CLINTON IA 52733-0213

December 31, 2008
Total days in statement period: 231
Page 1 of 2

Direct Inquiries to:
563 243-1243, OR 800-243-9007

Clinton National Bank
PO Box 1510
Clinton, IA 52733-1510

Summary of Account Balances

<i>Account</i>	<i>Number</i>	<i>Ending Balance</i>
Certificate Of Deposit	[REDACTED]	\$11,719.86

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Bank Statements and Other Documents

□

ACCOUNT #: 2 [REDACTED]
PAGE: 1 WC: W
MC: B

CLINTON EDUCATION EXCELLENCE
DENISA BABCOCK
CAMANCHE IA 52730

STATEMENT PERIOD
MONTHLY FROM: 12/01/07
TO: 12/31/07
NON-MONTHLY FROM: 09/01/07
TO: 12/31/07

IF THIS STATEMENT IS INCORRECT, PLEASE NOTIFY CLIFTON GUNDERSON
AND CO
2320 N 2ND ST CLINTON, IA 52732 (563)242-3440

TRAN DATE	TRAN TYPE	TRANSACTION AMOUNT	RESULTING SHARE BALANCE	LOAN PRINCIPAL	*FINANCE* *CHARGE*	RESULTING LOAN BALANCE
=====						
SHARE SUFFIX A - MEMBERSHIP SHARE [REDACTED]						
09-01-07	BEG BAL		25.00			.00
12-27-07	DEPOSIT	18,443.35	18,468.35			
12-31-07	DIVIDEND	2.53	18,470.88			
	TERM: 31 DAYS	AVERAGE	DAILY BALANCE:	2,999.73	APYE: 1.01	
12-31-07	END BAL		18,470.88			
=====						
DIVIDEND YTD		2.53		*FINANCE CHARGE YTD*		.00
=====						
SHARE SUFFIX G - CERTIFICATE OF DEP						
INTEREST RATE: 5.00		CERTIFICATE #:	[REDACTED]	MATURITY DATE: 08-10-08		
09-01-07	BEG BAL		11,995.02			.00
10-10-07	CERT INT	151.17	12,146.19			
12-31-07	END BAL	92 DAYS	AVERAGE DAILY BALANCE:	11,995.02	APYE: 5.09	
	TERM:					
			12,146.19			
=====						
INTEREST YTD		151.17		*FINANCE CHARGE YTD*		.00
=====						
SHARE SUFFIX H - CERTIFICATE OF DEP						
INTEREST RATE: 2.50		CERTIFICATE #:	[REDACTED]	MATURITY DATE: 02-03-08		
09-01-07	BEG BAL		21,459.54			.00
11-03-07	CERT INT	135.22	21,594.76			
12-31-07	END BAL	92 DAYS	AVERAGE DAILY BALANCE:	21,459.54	APYE: 2.52	
	TERM:					
			21,594.76			
=====						
INTEREST YTD		135.22		*FINANCE CHARGE YTD*		.00
=====						
SHARE SUFFIX I - CERTIFICATE OF DEP						
INTEREST RATE: 5.1		CERTIFICATE #:	[REDACTED]	MATURITY DATE: 09-30-08		

0040

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Bank Statements and Other Documents

Date
Opened: 06/20/2007 Term: 3 Months Tax
ID: _____ Number: _____
Account Number: _____

**CERTIFICATE OF DEPOSIT COPY
AND
CERTIFICATE OF DEPOSIT SIGNATURE CARD**

Amount of
Deposit: Seven Thousand One Hundred Twenty-five Dollars And No Cents \$11125.00
This Time Deposit is Issued to: _____ Issuer: _____

CLINTON COMMUNITY SCHOOL DIST
ATTN DENISE BABCOCK
STODDARD SCHOLARSHIP
600 SOUTH 4TH ST
CLINTON, IOWA 52732

VALLEY BANK
500 E LECLAIRE RD PO BOX 405
ELDRIDGE, IA 52748-0405

By Karen Evans

Not Negotiable - Not Transferable - Additional terms are below.

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to one. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 09/20/2007
(See below for renewal information.)

Rate Information: The interest rate for this account is 4.3600% with an annual percentage yield of 4.43%. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check). Interest will be compounded N/A. Interest will be credited at maturity by add-on.

☒ The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.
☐ If you close your account before interest is credited, you will not receive the accrued interest.

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is: ONE

Minimum Balance Requirement: You must make a minimum deposit to open this account of \$ 2500.00.
☐ You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest ☐ accrued ☐ credited during a term can be withdrawn: _____

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: one month's interest on the amount withdrawn.

Renewal Policy:
☐ **Single Maturity:** If checked, this account will not automatically renew. Interest ☐ will ☐ will not accrue after maturity.
☒ **Automatic Renewal:** If checked, this account will automatically renew on the maturity date. (see page two for terms)
Interest ☐ will ☒ will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

☐ Individual
☐ Joint Account - With Survivorship (and not as tenants in common)
☐ Joint Account - No Survivorship (as tenants in common)
☐ Trust: Separate Agreement Dated _____
☒ BUSINESS

☐ Revocable Trust or ☐ Pay on Death Designation as defined in this agreement (Beneficiaries' names and addresses)

BACKUP WITHHOLDING CERTIFICATIONS

TIN: _____
☒ **Taxpayer I.D. Number** - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.
☐ **Exempt Recipients** - I am an exempt recipient under the Internal Revenue Service Regulations.

☒ **Backup Withholding** - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

SIGNATURE - I certify under penalties of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien).

X _____
DATE _____

SIGNATURES: I AGREE TO THE TERMS STATED ON PAGE ONE AND PAGE TWO.
X _____
X _____
X _____

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Used to Establish a Certificate of Deposit

THE JOHNSON FAMILY TRUST
DONALD H. JOHNSON, CO-TRUSTEE
MARGARET E. JOHNSON, CO-TRUSTEE
BETTENDORE, IA 52722

72-223/739
1000785

2424

DATE 1/30/06

PAY TO THE ORDER OF Trudy Proehl Scholarship Fund \$ 5,000.00

QUAD CITY BANK & TRUST
Bettendorf, IA
Davenport, IA
Moline, IL

MEMO Cash received for Trudy Proehl Scholarship Fund

Margaret E. Johnson

Quad City Preferred

DOLLARS

END

CLINTON COMMUNITY SCHOOL DISTRICT
CLINTON, IOWA

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Used to Establish a Certificate of Deposit

W. D. VAN ATTA
MONA VAN ATTA
[REDACTED]
SANTA BARBARA, CA 93108

90-2059,
1222
02752784
DATE 1-23-06

2075

PAY TO THE ORDER OF Trudy Proehl Scholarship Fund \$ 100.00

One Hundred DOLLARS

SANTA BARBARA BANK & TRUST
1030 COAST VILLAGE ROAD • SANTA BARBARA, CA 93108 • 800.320.5353

MEMO in loving memory Mona Van Atta

* FIDELITY NATIONAL BANK

CLINTON COMMUNITY SCHOOL DISTRICT

CLINTON, IOWA

CLINTON COMMUNITY SCHOOL DISTRICT

CLINTON, IOWA

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Used to Establish a Certificate of Deposit

JANE K. WHIPPLE
LYNNE A. HAYDEN
CLINTON, IA 52732-3671

72-44/730
0615021

2385

DATE June 27, 2006

PAY TO Tudy Phoebe Scholarship Fund \$ 15⁰⁰
THE ORDER OF Fifteen and ⁰⁰/₁₀₀ DOLLARS

CLINTON NATIONAL BANK
Member FDIC
Clinton, Iowa 52732

MEMO Memorial


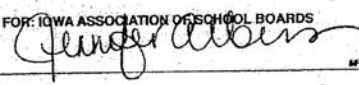
Jane K. Whipple

2385

CLINTON COMMUNITY SCHOOL DISTRICT
CLINTON, IOWA

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Containing a Handwritten Endorsement
and the Stamped Restrictive Endorsement

 Iowa Association of School Boards 6000 Grand Avenue Des Moines, IA 50312		18318							
		BANKERS TRUST COMPANY DES MOINES, IOWA							
		33-64 790							
PAY Twenty Eight Thousand Two Hundred Twenty Nine Dollars And 48 Cents									
		<table border="1"> <thead> <tr> <th>DATE</th> <th>CONTROL NO.</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>5/14/2009</td> <td></td> <td>\$28,229.48</td> </tr> </tbody> </table>		DATE	CONTROL NO.	AMOUNT	5/14/2009		\$28,229.48
DATE	CONTROL NO.	AMOUNT							
5/14/2009		\$28,229.48							
TO THE ORDER OF Clinton Community Schools 800 S 4th Street Clinton, IA 52732-5647		FOR: IOWA ASSOCIATION OF SCHOOL BOARDS 							
⑈018318⑈									

FOR DEPOSIT ONLY
CLINTON COMMUNITY SCHOOL DISTRICT
CLINTON, IOWA
Account # 2

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Containing a Handwritten Endorsement
and the Stamped Restrictive Endorsement

CENTRAL COMMUNITY SCHOOL DISTRICT P.O. Box 110 • Davenport, Iowa 52742-0110		DATE 06/30/2009		28214
GENERAL FUND SCHOOL WARRANT		VOID AFTER 6 MONTHS		
PAY		AMOUNT \$22,944.97		
* TWENTY TWO THOUSAND NINE HUNDRED FORTY FOUR AND 97/100 DOLLARS *				
TO THE ORDER OF CLINTON COMMUNITY SCHOOL DIST. Attn: DENISE BABCOCK 600 SOUTH 4TH STREET CLINTON IA 52733-2956		<i>Kto. filed</i> <i>James C. Carter</i>		

DEWITT BANK & TRUST CO.
DEWITT, IOWA

0028214

Deposit to acct 2
FOR DEPOSIT ONLY
CLINTON COMMUNITY SCHOOL DISTRICT
CLINTON, IOWA

Appendix 4

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Checks Containing a Handwritten Endorsement
and the Stamped Restrictive Endorsement

CITY OF CLINTON
P.O. Box 2958
611 SO. 3RD ST.
CLINTON, IA 52733-2958

DATE: 6/30/2009

AMOUNT:

\$21,342.82

WARRANT: 120149

PAY ***\$21,342 DOLLARS AND 82 CENTS

TO
THE
ORDER
OF

CLINTON COMM SCHOOL DIST
ATTN: DENISE BABCOCK
600 S 4TH ST
CLINTON

IA 52732

Robert J. Kline
MAYOR
Deborah K. Kline
CITY TREASURER

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

120149

Deposit to acct 2

FOR DEPOSIT ONLY
CLINTON COMMUNITY SCHOOL DISTRICT
CLINTON, IOWA

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Health Insurance Premium Payments

RICHARD L. GRUGIN CATHY S. GRUGIN NORTH LIBERTY, IA 52317		72-1375-739 1117
PAY TO THE ORDER OF <u>C.C.S.D.</u>		<u>3-5</u> 20 <u>07</u>
One thousand twelve <u>00</u> DOLLARS		\$1012. ⁰⁰ / ₁₀₀
HILLS BANK AND TRUST COMPANY SERVING THOUSANDS OF CUSTOMERS ONE AT A TIME HILLS, IA 52235		
FOR <u>[REDACTED]</u>		Cathy S. Grugin 1117

* FEDERAL RESERVE BOARD OF GOVERNORS REG. 1

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FOR DEPOSIT ONLY

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE

ACCOUNT # [REDACTED]

Report on Special Investigation of the
Clinton Community School District

Copies of Selected Health Insurance Premium Payments

BRUCE BOTHWELL MAQUOKETA, IA 52060		10-10-2006 1057 45-7454/2739
Pay to the Order of <u>CCS</u> \$ <u>501.50</u>		
<u>Five hundred one and 50/100</u> Dollars		
 www.dutracs.org	 CALL 800-846-2739	<u>Bruce Bothwell</u>
Memo <u>Health Ins.</u>		1057

FEDERAL RESERVE BOARD OF GOVERNORS REG. CC U.S. P. # NO. 5085-AT-1-0-0-0	The presence of this icon indicates the following security features: Feature: <u>Tamper-evident</u> Description: <u>When the security features are tampered with, the icon will change color.</u>	DO NOT WRITE STAMP OR SIGN BELOW THIS LINE. FOR DEPOSIT TO ACCT # <u>1057</u>
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Report on Special Investigation of the
Clinton Community School District


Copies of Selected Health Insurance Premium Payments

WILLIAM M. CORNELIUS
LINDA JEAN CORNELIUS
CLINTON, IA 52732

72-44/739
0616575
3088

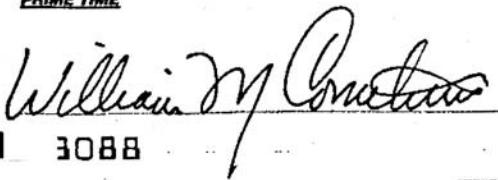
DATE Oct 17 2006

PAY TO CCS \$ 1194.00
THE ORDER OF One Thousand One Hundred Twenty Four and 00/100 DOLLARS


 CLINTON NATIONAL BANK
Member FDIC
Clinton, Iowa 52732

PRIME TIME

MEMO NOV.

William M. Cornelius 

3088

ENDORSE HERE:


Report on Special Investigation of the
Clinton Community School District

Copies of Selected Deposit Slips

8D108 (COPY) 72-44/739

DEPOSIT RECORD COPY

CLINTON COMMUNITY SCHOOL DIST.
GENERAL ACCOUNT

CLINTON NATIONAL BANK Member FDIC
Clinton, Iowa 52732

DATE 11-3-09

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

	DOLLARS	CENTS
CURRENCY	17,772	00
COIN	37	00
CHECKS LIST EACH SEPARATELY	2,704	00
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TOTAL FROM OTHER SIDE ON ATTACHED LIST		
GRAND TOTAL HERE	20,513	00

\$ 20,513.00

600

2051300

20,513.00

CHECK YOUR DATE AND AMOUNT ON DEPOSIT SLIP AND SIGNATURE OF CASHIER AND SIGNATURE OF BANKER AND SIGNATURE OF CUSTOMER

Report on Special Investigation of the Clinton Community School District

Copies of Selected Deposit Slips

80108 72-44/728

DEPOSIT TICKET

**CLINTON COMMUNITY SCHOOL DIST.
GENERAL ACCOUNT**

CLINTON NATIONAL BANK
Member FDIC
Clinton, Iowa 52732

DATE 11/9/09
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

CURRENCY	DOLLARS	CENTS
	12,785	-
COIN		
CHECKS (LIST EACH SEPARATELY)		
1 Checks	7784	-
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TOTAL FROM OTHER SIDE
OR ATTACHED LIST

GRAND TOTAL \$ 20569.00

Check and other items are received for deposit
subject to the provisions of the Uniform Commercial
Code or any applicable collection agreement.

80108 72-44/728

DEPOSIT TICKET

**CLINTON COMMUNITY SCHOOL DIST.
GENERAL ACCOUNT**

CLINTON NATIONAL BANK
Member FDIC
Clinton, Iowa 52732

DATE 11/9/09
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

CURRENCY	DOLLARS	CENTS
	12,785	-
COIN		
CHECKS (LIST EACH SEPARATELY)		
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