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NEWS RELEASE

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FOR RELEASE May 26, 2009

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Russell for the period February 1, 2007 through September 30, 2008. The special investigation was requested by City officials as a result of concerns identified with payroll issued to the former City Clerk, Amy Rodgers. Ms. Rodgers left City employment on September 30, 2008.

Vaudt reported the special investigation identified $29,257.68 of improper disbursements and undeposited collections. The improper disbursements of $16,037.89 include $8,229.14 of improper payroll payments and $6,010.11 of other payments to Ms. Rodgers. The improper payroll payments consist of payroll checks issued to Ms. Rodgers for more hours than supported by her timecards. The other improper payments include 8 checks issued to Ms. Rodgers ranging in amount from $308.28 to $1,800.00 and a $636.40 cash withdrawal of an insurance check deposited by the City for damage done to a police car.

The undeposited collections of $13,856.19 include $10,564.79 of utility collections and $2,655.00 of rental fees for the Community Center.

Vaudt also reported adequate records for receipts and disbursements were not available to determine whether additional collections were not properly deposited or additional amounts were improperly disbursed.

The report also includes recommendations to the City to strengthen the City's internal controls, such as improvements to segregation of duties, prohibit the practice of signing blank checks and performing bank reconciliations on a monthly basis. In addition, Vaudt recommended the City perform reconciliations of utility billings and collections, improve procedures for collection of rental fees and ensure time cards are completed in accordance with City policy.

Copies of the report have been filed with the Lucas County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/specials/specials.htm.

# # #

REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF RUSSELL

FOR THE PERIOD
FEBRUARY 1, 2007 THROUGH SEPTEMBER 30, 2008

0822-0566-BE00

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Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at your request, we conducted a special investigation of the City of Russell. We have applied certain tests and procedures to selected financial transactions of the City for the period February 1, 2007 through September 30, 2008. Based on discussions with City personnel and a review of relevant information, we performed the following procedures for the period specified.

(1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.

(2) Reviewed the minutes of Council meetings held between February 1, 2007 and September 30, 2008 for significant actions.

(3) Reviewed the activity in the City's bank accounts to identify any unusual activity. We also examined deposit slips and related documents for propriety.

(4) Scanned all checks issued from the City's checking account and examined documentation for certain payments to determine if payments were approved, properly supported and were for appropriate purposes.

(5) Examined all payroll checks issued to the former City Clerk, Amy Rodgers, to ensure the amounts had been calculated using the appropriate hourly rate and the amounts disbursed were appropriate.

(6) Confirmed payments made to the City by the State of Iowa and Lucas County to determine if they were properly deposited to the City's accounts.

(7) Reviewed the Community Center receipts to determine if they were properly deposited to the City's accounts.

(8) Examined utility billing and collection records to determine if utility collections were properly accounted for and deposited.

(9) Compared monthly utility deposits during the period of Ms. Rodgers' employment with the City to monthly utility deposits for the periods before and after her employment to determine if collections significantly decreased during Ms. Rodgers' employment.

(10) Reviewed Clerk's reports to determine if financial information was accurately reported to the Council.

(11) Reviewed the City's Annual Financial Reports to determine if the cash balance was accurately reported.

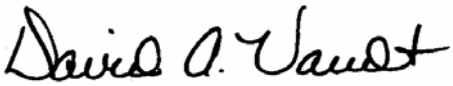
(12) Obtained and reviewed Ms. Rodgers' personal bank statements to identify the source of selected deposits.

These procedures identified $29,257.68 of improper disbursements and undeposited collections. We were unable to determine if additional collections were not properly deposited or additional amounts were improperly disbursed because adequate records for receipts and disbursements were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** and **D** of this report.

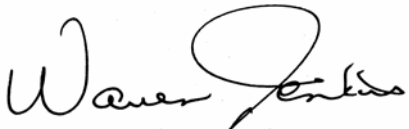
The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Russell, other matters might have come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

Copies of this report have been filed with the Lucas County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 13, 2009

City of Russell

Investigative Summary

Background Information

The City of Russell is located in Lucas County and has a population of 559. The City has a City Clerk, Mayor and a Council consisting of 5 members. Prior to January 1, 2008, Robert McCurdy was Mayor. Roger Pierce became Mayor on January 1, 2008. For purposes of this report, any reference to the Mayor is to current Mayor Roger Pierce as he was in office during the latter part of the period covered by our report.

The Council hired Amy Rodgers as the City Clerk starting February 19, 2007. As City Clerk, Ms. Rodgers was responsible for:

1) Cash – reconciliation of bank accounts,

2) Receipts – collections, posting to the accounting records, deposit preparation and depositing of the receipts,

3) Utilities – preparation of billings, payment collection, posting to customer accounts and accounting records, deposit preparation and deposit of collections,

4) Disbursements – presentation of proposed disbursements to the Council for approval, maintaining supporting documentation, posting to accounting records, check preparation, counter-signing checks and distribution,

5) Payroll – posting hours from the timecards to accounting records, calculation, check preparation and counter-signing checks,

6) Reporting – preparation of Council minutes and financial reports, including a monthly Clerk's report and the Annual Financial Report.

Ms. Rodgers was expected to maintain regular City Hall business hours of 8:00 a.m. until 12:00 p.m. each Monday through Friday. In accordance with Resolution Number 07-03, City employees are to prepare time cards which record the time worked. A copy of the resolution is included in **Appendix 1**. As illustrated by the **Appendix**, Ms. Rodgers' expected work hours were 8:30 to 12:30 Monday through Friday. However, according to the current City Clerk and a Council Member who was the Clerk prior to Ms. Rodgers, City Hall is actually open from 8:00 to 12:00 each day.

The City's primary revenue sources include local option sales tax and road use tax from the State of Iowa and property tax collected by Lucas County and remitted to the City. Revenue is also received throughout the year from utility collections for water, garbage and sewer fees assessed to each household and business. In addition, the City's Community Center is rented out to individuals, organizations and businesses. The Community Center rental rates range from $30.00 to $80.00 depending on the room rented.

The City maintains a checking account and 3 savings accounts. The checking account is the primary operating account of the City. The savings accounts are for the Fire Department, Waste Water Treatment and local option sales tax.

According to City officials, disbursements, including payroll, are made by checks which are to contain both the City Clerk's and the Mayor's signatures. Invoices are submitted to the City Clerk at City Hall, who places them in a bill folder. The City Clerk prepares a monthly financial report which includes the outstanding bills for each fund. This report is used as the bill listing

which is presented to Council for approval. After the bills have been approved by the Council, the City Clerk prepares the checks, signs the checks and gives them to the Mayor for counter-signing. However, according to the former Mayor and the current Mayor, both remember signing blank checks.

According to the Mayor, he asked Ms. Rodgers to provide financial reports to the Council for several months prior to September 2008, but none were provided. In addition, Ms. Rodgers stopped showing up for work on September 30, 2008. However, the Mayor had not received any verbal or written notice she left the City's employment.

On October 16, 2008, we received a phone call from Steve Gerdes, a CPA engaged by the Council to look into concerns regarding the City Clerk's performance. The Mayor and Council had concerns because Ms. Rodgers was not showing up for work and the Council had not been provided recent financial reports. On October 21, 2008, we received an e-mail from Mr. Gerdes with the results of his visit to the City. According to the e-mail, the general ledger, utility reconciliations and bank reconciliations had not been completed since the spring of 2007. In addition, Mr. Gerdes did not see any cash deposited into the City's checking account in 2008. Mr. Gerdes informed the Mayor he would be contacting the Office of Auditor of State in accordance with the *Code of Iowa*.

As a result of the concerns identified, City officials requested the Office of Auditor of State conduct an investigation of the City's financial transactions. As a result of that request, we performed the procedures detailed in the Auditor of State's Report for the period February 1, 2007 through September 30, 2008.

Detailed Findings

These procedures identified $29,257.68 of improper disbursements and undeposited collections for the period February 1, 2007 through September 30, 2008. The $29,257.68 is composed of the following:

- $8,229.14 of improper payroll for checks issued to Ms. Rodgers. The improper payroll identified was not supported by the number of hours recorded on Ms. Rodgers' timecards. We were unable to determine if additional amounts may have been improperly disbursed because some timecards included handwritten times instead of times recorded by the electronic time clock.

- $1,132.24 of improper disbursements for the City's share of FICA and IPERS on the improper payroll identified.

- $6,676.51 of other improper disbursements, including checks payable to Ms. Rodgers totaling $6,010.11, a cash withdrawal of $636.40 and improper disbursement of petty cash.

- $13,219.79 of undeposited collections which consist of $10,564.79 of utility collections and $2,655.00 of community center rentals. We were unable to determine if additional amounts may have been undeposited during the former City Clerk's employment because adequate records were not readily available.

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

IMPROPER DISBURSEMENTS

During our investigation, we reviewed all disbursements from the City's checking account during the period February 1, 2007 through September 30, 2008 and identified several improper disbursements made to Ms. Rodgers.

Supporting documentation was not available for all of the disbursements made from the City's accounts. As a result, we discussed all disbursements that were unusual in nature with City officials to determine if they were appropriate. In addition, the Mayor indicated City business should not be conducted in cash and payments should be made by check to the vendor.

The improper disbursements are explained in more detail in the following sections of the report.

Improper Payroll Payments to Ms. Rodgers – As stated previously, the City's office hours are 8:00 a.m. to 12:00 p.m., Monday through Friday. Ms. Rodgers was expected to work approximately 20 hours per week. City employees are to be paid on a monthly basis. All City employees were to complete time cards, including the former City Clerk. As the City Clerk, Ms. Rodgers was entitled to an authorized hourly rate of $7.25 from February 1, 2007 through September 30, 2008.

Ms. Rodgers prepared the payroll checks using the information from the employees' timecards and the employees' hourly rates. A payroll register was maintained by Ms. Rodgers, but we determined the amounts in the payroll register did not always agree with the actual checks issued to Ms. Rodgers. To determine if Ms. Rodgers was paid the correct amount, we compared the amount she was paid to the amount calculated using the hours recorded on her timecards.

We reviewed all payroll checks issued to Ms. Rodgers for the period February 1, 2007 through September 30, 2008. We recalculated Ms. Rodgers' pay using the hours she recorded on her timecards. However, timecards were not available for 8 of the 20 months she was employed by the City. The missing timecards were for the months of July, August and December 2007 and January, February, and April through June 2008. The timecards were missing for all City employees, not just Ms. Rodgers. For the 8 months without time cards, we used 4 hours per day, which is the hours Ms. Rodgers was expected to be at City Hall.

During our review of payroll checks, we determined Ms. Rodgers received payroll checks issued for amounts greater than she should have received. For the time period Ms. Rodgers was employed by the City, 15 of the 20 payroll checks Ms. Rodgers prepared for herself were greater than the amount she was authorized to receive. In these instances, the hours for which she was paid were greater than the hours recorded on her timecards. The additional pay ranged from $202.04 to $1,394.05 per check. The 20 payroll checks received by Ms. Rodgers and the calculation of the improper pay are shown in **Exhibit B**. The improper payroll payments to Ms. Rodgers total $8,229.14 and are included in **Exhibit A**.

In addition, during our review of Ms. Rodgers' timecards, we identified Ms. Rodgers did not comply with the City's policy for timecards. Per City Resolution Number 07-03 included in **Appendix 1**, times are not to be handwritten on the timecards. All times should be recorded using the electronic time clock. According to the policy, if the employee does not punch in and out, the employee is not to get paid.

We summarized information from Ms. Rodgers' timecards which contained a handwritten notation of the time Ms. Rodgers began or ended her workday. We also summarized information for days both Ms. Rodgers' beginning and ending times were manually recorded. Approximately 430 hours were recorded for the days identified. Ms Rodgers' gross pay for the 430 hours totals $3,117.50. We were unable to determine how much of the 430 hours Ms. Rodgers was at City Hall. Most of the times recorded included the hours between 8:00 a.m. and 12:00 p.m. when Ms. Rodgers was to be at City Hall. The times identified also include some of the hours already included in **Exhibit B**.

We also reviewed the timecards for other City employees and identified other time cards with handwritten times. The timecards for the police officers routinely included handwritten times. According to the Police Chief, because they work out of the law center in Chariton, they don't have access to the time clock to punch in. Therefore, they have to write in their starting times.

The City's policy does not include an exception for the police officers. We are unable to determine if the handwritten times for Ms. Rodgers and other City employees are correct. As a result, the pay associated with the hand written time has not been included in **Exhibit A**.

City's Share of FICA and IPERS - The $8,229.14 of improper pay received by Ms. Rodgers resulted in the City incurring an additional $629.53 and $502.71 for the City's FICA and IPERS contributions, respectively. **Table 1** shows the improper amount of FICA and IPERS paid by the City. The total of $1,132.24 is included in **Exhibit A**.

Table 1

Description	Amount
Improper pay	$ 8,229.14
City's contributions on the improper pay:	
FICA (7.65% of gross wages)	$ 629.53
IPERS*	502.71
Total	$ 1,132.24

* - Prior to July 2007, the IPERS contribution rate was 5.75% of gross wages. The contribution rate increased to 6.05% on July 1, 2007 and to 6.35% on July 1, 2008.

Additional Checks Issued to Ms. Rodgers – While reviewing disbursements from the City's accounts, we identified 8 checks to Ms. Rodgers which were not for payroll. According to a Council member we spoke with, Ms. Rodgers should not have received any other payments from the City besides her monthly pay. According to the Council member, Ms. Rodgers did not incur any travel expenses or purchase supplies for the City which should have been reimbursed. The 8 payments to Ms. Rodgers were not included on the bill listings submitted to and subsequently approved by the Council. **Table 2** lists the 8 payments totaling $6,010.11. The $6,010.11 has been included in **Exhibit A.**

Table 2

Check Date	Check Number	Amount
09/03/07	9639	$1,800.00
09/10/07	9642	308.28
10/9/07	9646	390.67
10/19/07	9647	629.37
11/01/07	9648	816.45
11/26/07	9650	664.98
04/17/08	9882	406.87
07/25/08	9969	993.49
Total		$6,010.11

Petty Cash – According to a Council member we spoke with, the City maintained a petty cash fund in the amount of $30.00 which was to be used to purchase stamps and small office supplies. In addition, all receipts and supporting documentation for any petty cash disbursements were to be maintained and provided to Council when the fund was replenished. The cash and supporting records could not be located at the City. Because records were not available, we could not determine how the petty cash was used. In addition, Ms. Rodgers regularly wrote checks to the Postmaster for postage. During Ms. Rodgers' employment, she wrote 21 checks totaling $1,809.00 to the Postmaster. Therefore, it does not appear Ms. Rodgers used the fund for postage as expected by the Council. The $30.00 petty cash has been included in **Exhibit A** as an improper disbursement.

Cash Withdrawal – The City received an insurance check from Farm Bureau for damages to a police car. The check was for $636.40 and was deposited to the City's account on August 16, 2007. However, as part of the same transaction, Ms. Rodgers signed a debit memo withdrawing $636.40 in cash from the City's account. On the debit memo, it stated "Withdrawal from checking for City of Russell. Withdrawal State Farm Insurance for damage to Police Car." A copy of the deposit slip and debit memo are included in **Appendix 2**. As shown on the deposit slip, Ms. Rodgers initially listed the $636.40 as cash withheld from the deposit, but this was crossed out and the debit memo was completed. According to a Council member we spoke with, Ms. Rodgers was not authorized to withdraw cash from the City's account. According to a police officer we spoke with, the cash was not provided to the Police Department.

We did not identify a cash deposit for this exact amount in Ms. Rodgers' personal account, but we identified a $400.00 cash deposit on August 17, 2007. The $636.40 cash withdrawal is included in **Exhibit A** as an improper disbursement.

UNDEPOSITED COLLECTIONS

As previously stated, the City's primary revenue sources include taxes from the State of Iowa and Lucas County. Revenue is also received from utility collections for water and sewer fees assessed to each household and business. In addition, the City maintains a Community Center building which is available for residents to rent for a fee.

Taxes from the State and County – We confirmed payments to the City by the State of Iowa and Lucas County to determine if they were properly deposited to the City's accounts. We determined all payments from the County and State were properly deposited to the City's checking account.

Utilities – As previously stated, the City Clerk was responsible for utility billings, receiving collections, posting, deposit preparation and making deposits. Ms. Rodgers did not prepare utility billing reconciliations. Utility records were maintained by Ms. Rodgers for each account by recording monthly billings and payment activity in software used by the City.

Customer payments could be mailed or dropped off at City Hall or taken to the local bank in Russell. All payments made at the bank were deposited by bank personnel in the City's checking account on the same day. According to City officials, some utility customers paid by check and others paid in cash. According to a Council member who was the City Clerk prior to Ms. Rodgers, the customers who paid in cash were fairly consistent from month to month.

City officials provided us with monthly utility accounts receivable reports for the period February 1, 2007 through September 30, 2008. The reports identify each individual customer, their beginning balance, monthly bill amount, payments, penalties and ending balance.

We attempted to perform a reconciliation of monthly billings to collections for the months of March 2007 through July 2007, but we identified variances which could not be explained by City officials. In addition, according to a Council member we spoke with, Ms. Rodgers was not preparing bills on a regular basis. As a result, we were unable to determine an appropriate cut-off date. We also identified customers with ending balances which did not agree to their beginning balance for the subsequent month. Because utility reconciliations were not completed by Ms. Rodgers and we were unable to reconcile the 5 months we selected for testing, we tried obtaining meter reading sheets or consumption reports from the City. City officials were unable to locate these records. It appears these records were not retained by Ms. Rodgers.

We reviewed deposit slips for deposits made to the City's accounts. According to the Council member we spoke with, several citizens routinely paid their utility bills with cash, but receipts were not issued by Ms. Rodgers. Using the City's deposit slips, we determined cash deposits for utilities for the 13½ months prior to Ms. Rodger's employment, the 19½ months of her employment and the 5 months after her employment. We compared cash deposits made during these periods to determine if any significant differences existed. The cash deposits for the period from January 1, 2006 through February 28, 2009 are summarized in **Table 3** and are listed in **Exhibit C**. The comparison in **Table 3** includes only cash deposits made by the City and not those made at the bank. The utility deposits made directly at the bank by customers decreased 15% during Ms. Rodgers' employment. The decrease is approximately $80.00 per month, which could be attributed to one or two households.

As illustrated by the **Exhibit**, cash deposits were made on a regular basis during the time period before and after Ms. Rodgers' employment. After Ms. Rodgers was employed by the City for approximately 5 months, cash deposits were almost non-existent. For the period from August 1, 2007 through September 30, 2008, there were only 5 cash deposits made for utilities. These 5 deposits total $244.88.

Table 3

Time Period	Number of Months	Recorded Collections	Average Monthly Deposits
01/01/06 – 02/18/07	13½	$ 9,233.26	683.95
02/19/07 – 09/30/08	19½	2,723.10	139.65
10/01/08 – 02/28/09	5	3,373.20	674.64
Total		$ 15,329.56	

As illustrated by the **Table**, the cash deposits for the 13½ months prior to Ms. Rodgers' employment averaged $683.95 per month. For the 19½ months Ms. Rodgers was employed as the City Clerk, the cash deposits for utilities averaged only $139.65 per month, a decrease of 80%. The cash deposits for the 5 months after Ms. Rodgers left the City's employment increased to an average of $674.64 per month. The average for these 5 months is consistent with the time period prior to Ms. Rodgers' period of employment. The **Exhibit** includes deposits made at the bank and by the City. The cash deposits made at the bank are not included in **Table 3**.

Using the cash deposits for the time periods before and after Ms. Rodgers' employment, we calculated the expected cash collections for the time period she was City Clerk and compared this amount to the actual cash deposits. As illustrated by **Table 4,** we would expect $13,287.89 in cash collections for the period Ms. Rodgers was employed. However, the cash

utility collections deposited by Ms. Rodgers totaled only $2,723.10. This is $10,564.79 less than expected.

Table 4

Description	Amount
Average monthly cash deposits before and after Ms. Rodgers' employment period	$ 681.43
x Number of months of Ms. Rodgers' employment	19.5
Calculated expected cash collections	13,287.89
Less: actual cash deposits	2,723.10
Difference	$ 10,564.79

The $10,564.79 difference has been included in **Exhibit A** as undeposited collections.

Community Center Rent – As previously stated, the Community Center is available for rent for private purposes. The rental rates per day are: $30.00 for the South Room, $50.00 for the North Room and $80.00 for the entire building. The City allows certain organizations, such as 4-H, the Blood Center and Sororities, to rent rooms at no charge.

As the City Clerk, Ms. Rodgers was responsible for maintaining a calendar for the Community Center rentals. The calendar was used to document the date of the rental, the name of the individual renting and the room(s) being rented. Because the name of the organization was usually documented on the calendar, we were able to determine the organizations which were not charged a fee.

The rent was usually paid before the room was used, but that was not required. Some renters paid after they used the room. We did not locate any records which summarized the rent not yet paid, nor did Ms. Rodgers send any billings to those who had not paid the rent. According to a Council member we spoke with, the City does not have any written policies or procedures for the rental process. The Council member we spoke with stated Ms. Rodgers did not use pre-numbered receipts for the collection of the rental fees and did not perform reconciliations between the billings and collections.

Ms. Rodgers identified the type of collection on the deposit slips. Using the deposit slips, we determined the rental fees deposited to the City's checking account. Because receipts were not used by Ms. Rodgers, we used the calendar she maintained to determine the expected rental fees. For some instances, we were able to trace the individual or group renting the center to the name on the deposit slip. However, the information recorded on the calendar was not always complete enough to determine which room was rented. In 5 instances, the individual/party was contacted to determine which room was rented. For 4 instances, we were unable to determine which room was rented. To be conservative, we estimated the amount of rent to be collected was $30, the minimum cost to rent a room in the Community Building.

Exhibit D lists all the community center rentals identified for the time period of our investigation and any corresponding deposits. If the organization using the center was not charged a fee, we excluded them from **Exhibit D**. As shown in the **Exhibit**, we identified $2,655.00 of undeposited collections for Community Center rentals. The undeposited collections of $2,655.00 are included in **Exhibit A**.

In addition to the deposits listed in **Exhibit D**, we identified 6 deposits from individuals for whom we were unable to find a corresponding rental recorded on the calendar. As stated previously, the information recorded on the calendar was not always complete. **Table 5** lists the 6 deposits. By reviewing bank documents for the 6 deposits, we determined the $235.00

was from individuals who were not recorded on the calendar. As a result, the $235.00 has not been included in **Exhibit A** as an offset to undeposited collections.

Table 5

Deposit Date	Amount
03/26/07	$ 30.00
06/25/07	50.00
12/31/07	50.00
01/17/08	30.00
06/11/08	25.00
07/15/08	50.00
Total	$ 235.00

ADDITIONAL INFORMATION

Cash Deposits to Personal Account - We reviewed Ms. Rodgers' personal bank accounts for the period February 1, 2007 through September 30, 2008 and identified cash deposits totaling $33,679.00 to her checking account. We are unable to determine the source of the cash deposits.

Council Minutes – During our review of Council meeting minutes, we were unable to locate 8 meeting minutes for the months of June 2007 through December 2007 and April 2008. In addition, we determined 17 of 25 Council minutes reviewed were not signed by the Mayor and the City Clerk to authenticate the record.

Financial Reporting – Ms. Rodgers was responsible for preparation of meeting minutes and a monthly Clerk's report showing the City's financial activity. She was also responsible for preparing the City's Annual Financial Report (AFR) submitted to the State.

We reviewed 7 Clerk's reports and compared them to the actual cash balances in the City's bank accounts to determine if balances reported to the Council were accurate. For Ms. Rodgers' first 7 months of employment, the bank balances she reported to the Council agreed with the bank statements. For the remainder of her employment, the balances reported did not agree with the actual bank balances. In addition, in September 2007, she did not report any bank balances to the Council. **Table 6** summarizes the amounts reported to the Council by Ms. Rodgers for selected months, the amounts actually held in the bank and the differences.

Table 6

Description	September 2007	January 2008	April 2008	July 2008	September 2008
Bank Statements:					
Checking	$ 23,517.30	49,323.05	24,913.72	24,200.56	12,202.35
Savings	84,813.36	100,265.41	85,608.37	93,159.88	95,588.59
Money Markets	29,051.15	32,253.30	54,057.08	33,892.17	33,903.29
CDs	9,379.35	9,569.10	39,957.10	40,134.81	40,340.50
Subtotal	$146,761.16	191,410.86	204,536.27	191,387.42	182,034.73
Ms. Rodgers' Monthly Report to the Council:					
Checking	-	5,862.21	-	70,593.21	65,266.94
Savings	-	100,265.41	85,608.37	93,159.88	95,588.59
Money Markets	-	9,517.93	-	21,328.72	21,349.06
CDs	-	-	-	-	7,398.43
Subtotal	-	115,645.55	85,608.37	185,081.81	189,603.02
Variance	$146,761.16	75,765.31	118,927.90	6,305.61	(7,568.29)

In addition, we also reviewed the AFR submitted to the State by Ms. Rodgers for fiscal year 2007. We were unable to review the fiscal year 2008 AFR because Ms. Rodgers did not complete it prior to leaving City employment.

IPERS and Payroll Taxes – A Council member also expressed concerns Ms. Rodgers had not completed quarterly reporting for payroll taxes and IPERS.

We obtained quarterly gross wage reports for February 1, 2007 through September 30, 2008 from IPERS. We determined Ms. Rodgers did not report gross wages to IPERS for the 4th quarter of 2007 and the 1st quarter of 2008.

After Ms. Rodgers left the City's employment, the City received a letter from the IRS stating the City had not filed its Form 941 for Federal employment tax for the tax period ended June 30, 2008. A copy of the letter is included in **Appendix 3**. We also reviewed several other letters from the IRS dated during the period of Ms. Rodgers' employment with the City. The letters state not enough Federal employment tax had been submitted. As a result, additional tax plus penalties and interest were due from the City. We are unable to determine how much in penalties and interest have been incurred by the City as a result of the reports not being filed or taxes not being paid in a timely manner.

Recommended Control Procedures

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

A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former City Clerk had control over each of the following areas for the City:

(1) Cash – reconciliation of bank accounts, recording transactions and custody.

(2) Receipts – collecting, posting and depositing.

(3) Utilities – billing, collecting, posting to customer accounts and depositing,

(4) Disbursements - preparation of disbursements listing for Council approval, check preparation, signing, distribution and posting.

(5) Payroll – posting hours from timecards, check preparation and check signing.

(6) Reporting – preparation of Council meeting minutes, monthly Clerk's reports and Annual Financial Reports.

The City requires dual signatures on check payments. However, blank checks may have been signed and given to the former City Clerk.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the duties within each function listed above should be segregated between the City Clerk, the Mayor and Council Members. In addition, the Council should review financial records, reconciliations and supporting documentation for accounting records on a periodic basis.

Checks should not be signed until a specific payee and amount have been designated and the cosigner has reviewed the related supporting documentation to ensure the payment is appropriate.

In addition, bank statements should be delivered to and reviewed by an official who does not collect or disburse City funds. Bank reconciliations should be performed on a monthly basis.

B. Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquencies are not reconciled on a periodic basis. In addition, meter reading sheets and consumption reports were not retained and available for review.

Recommendation – Procedures should be established to ensure utility billings are reconciled to subsequent collections and delinquencies for each billing period. The Council, or other independent individual designated by the Council, should review the reconciliations and monitor delinquencies. Delinquencies should not be written off without Council approval.

In addition, all supporting documentation such as meter reading sheets and consumption reports should be maintained at City Hall.

C. Payroll – During review of payroll, the following conditions were identified:

(1) Timecards for 8 months could not be located.

(2) Several instances in which City employees wrote in the time in/out of work on timecards instead of punching in or out on the time clock. City policy does not allow for handwritten times and requires time to be recorded by using the time clock.

(3) Quarterly payroll reports, such as 941's and IPERS Benefit reports, were not completed on a quarterly basis as required.

Recommendation – The Council should ensure timecards are completed in accordance with established policies. In addition, all timecards should be maintained at City Hall.

A Council Member or an individual independent of payroll preparation should periodically compare the payroll checks to the timecards to ensure the amounts disbursed are appropriate and properly supported.

The Council should ensure all required reports are being completed on a timely basis and being submitted to the appropriate entity.

D. Record Retention – Supporting documentation, such as invoices, timecards, payroll registers, receipts and utility reports should be maintained by the City. During our investigation, we were unable to locate documentation for all disbursements, payroll, utilities and Community Center rentals.

Recommendation – The Council should implement procedures to ensure all City records are retained at City Hall and a retention policy should be established for all records.

E. Community Center – During our review of the City's Community Center collections, the following conditions were identified:

(1) Pre-numbered receipts were not utilized.

(2) Billings for uncollected rent were not completed.

(3) Collections were not always deposited in a timely manner.

(4) Reconciliations between billings and collections were not performed on a periodic basis.

(5) A listing of all cash and checks received was not prepared prior to deposit.

Recommendation – Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all funds collected. The City should develop written procedures for the rental of the Community Center, including whether the rent should be received prior to the date of the event. If the City allows for payment after the event, a process should be developed to track collections and send billings for unpaid rent.

F. Council Minutes – Chapter 21 of the *Code of Iowa* requires minutes be kept of all meetings of governmental bodies.

During our review of minutes, we determined:

(1) The minutes were not properly signed by the City Clerk or Mayor to authenticate the record as required by section 380.7(4) of the *Code*.

(2) Not all disbursements were presented to the Council for approval.

(3) Minutes for June 2007 through December 2007 and April 2008 could not be located.

Recommendation – The City should implement procedures to ensure either the City Clerk or the Mayor sign all meeting minutes and any errors are noted and corrected. In addition, the Council should ensure all City obligations are paid by check and presented to the Council for approval.

In addition, the Council should ensure all minutes are maintained at City Hall and an official copy is kept in the Council meeting book since Council meeting minutes are a public document.

G. Petty Cash Fund – A petty cash fund was established at a set amount to be used for postage and the purchase of small office supplies, such as pens and pencils. In addition, supporting documentation was to be maintained for all purchases and presented to Council when the petty cash fund needed to be replenished. Supporting documentation was not available to support purchases made from petty cash.

Recommendation – All invoices and other documentation should be maintained as support for the use of the petty cash fund.

Exhibits

Report on Special Investigation of the City of Russell

Report on Special Investigation of the
City of Russell

Summary of Findings
For the period February 1, 2007 through September 30, 2008

Description	Exhibit/Table /Page Number		Amount
Improper disbursements:			
Improper payroll payments	**Exhibit B**	$ 8,229.14	
City's share of FICA and IPERS	**Table 1**	1,132.24	
Additional checks issued to Ms. Rodgers	**Table 2**	6,010.11	
Petty cash	**Page 9**	30.00	
Cash withdrawal	**Page 9**	636.40	
Total improper disbursements			$ 16,037.89
Undeposited collections:			
Utilities	**Table 4**	10,564.79	
Community center rent	**Exhibit D**	2,655.00	
Total undeposited collections			13,219.79
Total			$ 29,257.68

Report on Special Investigation of the
City of Russell

Improper Payroll Payments
For the period February 1, 2007 through September 30, 2008

Pay Period Ended	Hours per Timesheet	Calculated Gross Wages	7.65% FICA	Federal * Withholding	State ** Withholding	IPERS ^	Net Pay
03/01/07	25.75	$ 186.69	14.28	-	-	6.91	165.50
04/01/07	78.78	571.18	43.70	-	6.00	21.13	500.35
05/01/07	80.87	586.28	44.85	-	7.00	21.69	512.74
06/01/07	81.15	588.34	45.01	-	7.00	21.77	514.56
07/01/07 #	82.12	595.35	45.54	-	7.00	23.22	519.59
08/01/07 #	84.00	609.00	46.59	-	8.00	23.75	530.66
09/01/07	92.00	667.00	51.03	-	10.00	26.01	579.96
10/01/07	104.98	761.13	58.23	9.41	15.00	29.68	648.81
11/01/07	80.10	580.73	44.43	-	7.00	22.65	506.65
12/01/07 #	85.52	620.00	47.43	-	8.00	24.18	540.39
01/01/08 #	80.00	580.00	44.37	-	6.00	22.62	507.01
02/01/08 #	88.00	638.00	48.81	-	9.00	24.88	555.31
03/01/08	84.00	609.00	46.59	-	8.00	23.75	530.66
04/01/08 #	85.98	623.38	47.69	-	9.00	24.31	542.38
05/01/08 #	88.00	638.00	48.81	-	9.00	24.88	555.31
06/01/08 #	84.00	609.00	46.59	-	8.00	23.75	530.66
07/01/08	84.00	609.00	46.59	-	8.00	24.97	529.44
08/01/08	116.65	845.71	64.70	9.17	14.00	34.67	723.17
09/01/08	76.58	555.23	42.48	-	6.00	22.76	483.99
10/01/08	87.45	634.01	48.50	-	9.00	25.99	550.52
Total		$ 12,107.02	926.22	18.58	161.00	496.39	10,527.65

- We were unable to locate complete timecards for these pay periods. Therefore, we calculated the total business days for the month and multiplied by 4 hours per business day, which was the expected hours for Ms. Rodgers each day.

* - We used the 2008 Employer's Supplemental Tax Guide for withholding calculation since we were unable to locate the 2007 tables.

** - We used the State of Iowa's Monthly tax table - effective April 1, 2006. Note - the withholdings are rounded numbers per the table.

Check Number	Check Amount	Improper Amount
9411	165.10	(0.40)
9444	501.26	0.91
9483	526.94	14.20
9515	716.60	202.04
9541	746.39	226.80
9573	810.67	280.01
9605	1,000.86	420.90
9643	1,383.98	735.17
9685	1,230.25	723.61
9710	904.29	363.90
9752	1,530.75	1,023.74
9785	1,110.55	555.24
9814	1,355.59	824.93
9852	609.08	66.70
9887	920.12	364.81
9911	1,123.84	593.18
9945	1,923.49	1,394.05
9970	860.54	137.37
10001	525.73	41.74
10029	810.76	260.24
	18,756.79	8,229.14

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
01/04/06	$ -	72.48
01/05/06	208.92	-
01/06/06	336.11	-
01/10/06	-	111.88
01/11/06	103.29	-
01/12/06	-	50.00
01/23/06	-	40.00
02/02/06	231.30	966.82
02/06/06	91.77	100.00
02/07/06	-	180.95
02/08/06	107.99	-
02/10/06	-	130.19
02/10/06	-	73.76
02/14/06	-	150.00
02/22/06	-	150.00
02/28/06	-	50.00
03/01/06	167.92	-
03/03/06	122.19	-
03/06/06	-	46.79
03/07/06	-	50.00
03/08/06	100.81	-
03/10/06	-	42.59
03/21/06	-	33.88
03/30/06	-	150.00
04/04/06	263.90	-
04/05/06	-	50.00
04/07/06	157.19	-
04/10/06	264.34	-
04/11/06	-	240.00
04/11/06	-	103.44
04/14/06	-	60.00
04/21/06	-	461.67
04/27/06	-	150.00
04/28/06	-	0.36
05/01/06	116.87	-
05/02/06	46.24	-
05/03/06	100.00	-
05/04/06	197.60	-
05/04/06	-	570.95
05/05/06	14.23	-

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
05/08/06	146.02	36.88
05/09/06	330.67	-
05/12/06	-	30.00
05/23/06	-	94.55
05/26/06	-	55.50
06/01/06	142.97	-
06/02/06	88.74	-
06/05/06	33.88	500.00
06/06/06	41.33	122.16
06/07/06	23.50	60.00
06/08/06	-	39.44
06/12/06	-	70.23
06/19/06	-	304.45
07/03/06	199.29	-
07/05/06	151.64	-
07/06/06	23.50	210.00
07/10/06	232.90	50.00
07/11/06	33.88	50.00
07/21/06	-	35.00
07/27/06	-	86.00
07/31/06	-	72.87
08/01/06	127.07	-
08/02/06	45.16	-
08/03/06	33.88	-
08/04/06	45.57	47.39
08/08/06	98.72	-
08/09/06	85.24	-
08/14/06	-	200.00
08/14/06	-	26.17
08/16/06	-	30.00
08/22/06	-	78.00
08/22/06	-	93.01
08/24/06	-	173.22
08/28/06	-	65.00
09/01/06	189.21	-
09/05/06	256.61	-
09/06/06	65.03	-
09/07/06	-	56.00
09/08/06	33.88	-
09/11/06	-	53.20

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
09/18/06	-	111.02
09/22/06	-	59.00
09/29/06	13.38	130.00
10/02/06	89.80	-
10/03/06	97.26	-
10/04/06	79.04	-
10/06/06	114.99	-
10/12/06	-	53.44
10/16/06	-	48.72
10/19/06	-	39.00
10/19/06	-	97.62
10/23/06	-	56.00
11/01/06	137.20	-
11/02/06	45.16	-
11/03/06	89.32	110.00
11/06/06	127.83	50.00
11/07/06	67.51	-
11/08/06	-	124.15
11/14/06	-	170.88
11/20/06	-	102.59
11/21/06	-	60.00
11/28/06	-	30.00
12/01/06	178.34	-
12/04/06	114.15	-
12/05/06	51.96	-
12/07/06	41.19	-
12/08/06	-	120.00
12/11/06	-	50.00
12/11/06	-	64.00
12/18/06	-	40.00
01/02/07	90.27	50.00
01/03/07	117.06	-
01/04/07	126.05	-
01/08/07	38.88	-
01/09/07	-	373.14
01/10/07	-	126.85
01/11/07	-	58.05
01/12/07	57.88	-
01/22/07	-	57.00

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
01/23/07	-	50.00
01/26/07	-	80.00
02/01/07	62.87	-
02/02/07	47.16	147.66
02/05/07	221.26	-
02/06/07	67.03	-
02/07/07	48.40	39.24
02/12/07	-	60.07
Total for period prior to Amy Rodgers' employment	$ 7,183.35	9,233.26
02/19/07	$ -	50.00
02/21/07	-	40.00
03/01/07	-	35.00
03/02/07	74.76	63.72
03/05/07	179.66	39.00
03/06/07	96.83	-
03/07/07	25.50	-
03/12/07	-	60.00
03/13/07	-	40.00
03/14/07	-	3.67
03/19/07	-	42.77
03/21/07	-	60.00
03/22/07	-	30.00
03/26/07	-	25.00
04/02/07	92.56	35.00
04/03/07	203.08	-
04/04/07	106.88	-
04/06/07	112.75	-
04/09/07	13.80	-
04/10/07	127.19	-
04/16/07	-	241.31
05/02/07	-	110.00
05/03/07	135.74	-
05/04/07	190.46	95.30
05/09/07	-	40.00
05/10/07	119.24	36.00
05/11/07	46.39	-
05/24/07	-	100.00
05/29/07	-	105.00

Report on Special Investigation of the
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Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
06/04/07	261.49	-
06/05/07	55.52	248.00
06/06/07	78.40	200.00
06/07/07	-	61.29
06/11/07	-	117.16
06/22/07	-	125.00
07/02/07	66.03	-
07/03/07	240.90	-
07/05/07	44.59	150.00
07/06/07	156.57	-
07/09/07	70.40	130.00
07/10/07	99.86	-
07/16/07	-	160.00
07/23/07	-	35.00
08/02/07	48.40	-
08/02/07	57.72	-
08/03/07	203.49	-
08/06/07	104.81	-
08/07/07	50.22	-
08/23/07	-	43.00
09/04/07	87.18	-
09/05/07	188.22	-
09/06/07	47.16	-
09/07/07	129.40	-
09/10/07	89.06	-
10/02/07	-	51.88
10/03/07	109.78	-
10/04/07	265.71	-
10/05/07	97.86	-
10/10/07	70.98	-
11/02/07	170.60	-
11/05/07	298.50	-
11/09/07	53.03	-
11/30/07	42.77	-
12/03/07	172.19	-
12/04/07	151.88	80.00
12/05/07	47.98	-
12/06/07	76.14	-
01/02/08	46.31	-
01/03/08	168.14	-
01/07/08	227.53	-
01/08/08	44.16	-

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
01/10/08	25.50	-
02/01/08	35.88	-
02/04/08	67.03	-
02/05/08	166.91	-
03/03/08	146.44	-
03/04/08	42.33	5.00
03/05/08	39.87	-
03/06/08	159.00	-
03/10/08	70.62	-
03/14/08	4.72	-
03/27/08	127.63	-
04/01/08	42.58	-
04/03/08	245.69	-
04/04/08	69.34	-
04/07/08	64.59	-
04/08/08	52.70	-
04/10/08	-	65.00
05/01/08	148.97	-
05/02/08	95.20	-
05/06/08	25.50	-
05/08/08	71.51	-
05/12/08	63.72	-
06/02/08	45.83	-
06/04/08	112.26	-
06/06/08	47.73	-
06/10/08	45.07	-
07/03/08	95.14	-
07/07/08	138.96	-
07/11/08	73.40	-
08/04/08	243.79	-
08/06/08	215.62	-
09/03/08	205.76	-
09/09/08	136.22	-
Total for period of Amy Rodgers' employment	$ 8,773.33	2,723.10
10/03/08	$ 346.47	-
10/06/08	35.88	-
10/08/08	63.12	-
10/10/08	93.22	-

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
10/14/08	35.88	-
10/15/08	-	55.44
10/21/08	-	105.79
10/24/08	-	49.05
10/27/08	-	30.00
11/03/08	-	105.30
11/03/08	196.62	370.00
11/04/08	80.22	-
11/06/08	300.00	140.00
11/07/08	51.38	-
11/12/08	-	78.88
11/14/08	-	10.00
11/17/08	-	63.78
11/24/08	-	162.00
12/01/08	35.88	-
12/02/08	42.00	-
12/03/08	-	65.37
12/04/08	-	46.24
12/05/08	194.34	131.27
12/08/08	49.04	-
12/08/08	-	45.00
12/10/08	119.94	25.00
12/19/08	-	100.00
12/22/08	-	57.33
12/22/08	-	46.41
12/22/08	-	50.00
12/29/08	-	50.00
01/02/09	137.73	347.00
01/05/09	127.44	-
01/06/09	47.82	-
01/07/09	200.00	-
01/09/09	-	55.08
01/12/09	-	51.30
01/13/09	-	150.00
01/15/09	-	175.00
01/19/09	-	171.66
01/21/09	-	190.00

Report on Special Investigation of the
City of Russell

Utility Cash Deposits
For the period February 1, 2007 through September 30, 2008

Deposit Date	Cash Deposits At Bank	Cash Deposits At City
01/22/09	-	20.00
02/02/09	93.05	50.00
02/03/09	77.57	-
02/04/09	62.06	-
02/05/09	39.45	80.00
02/09/09	93.56	51.30
02/11/09	-	50.00
02/12/09	-	45.00
02/20/09	-	50.00
02/23/09	60.00	-
02/24/09	-	100.00
Total for period after Amy Rodgers' employment	$ 2,582.67	3,373.20

Report on Special Investigation of the
City of Russell

Community Center Rent
For the period February 1, 2007 through September 30, 2008

	Per City Calendar					
	Event Date	North Room ($50)	South Room ($30)	Both ($80)	Unknown	Total
	03/15/07	$ 50.00	-	-	-	50.00
	03/19/07	-	30.00	-	-	30.00
	03/24/07	-	30.00	-	-	30.00
	03/24/07	50.00	-	-	-	50.00
	03/27/07	50.00	-	-	-	50.00
	03/31/07	-	-	80.00	-	80.00
	04/16/07	-	30.00	-	-	30.00
	05/01/07	-	30.00	-	-	30.00
	05/12/07	-	30.00	-	-	30.00
	05/12/07	50.00	-	-	-	50.00
	05/26/07	50.00	-	-	-	50.00
	06/03/07	-	30.00	-	-	30.00
	06/09/07	50.00	-	-	-	50.00
	06/16/07	50.00	-	-	-	50.00
	06/24/07	50.00	-	-	-	50.00
	07/21/07	50.00	-	-	-	50.00
	07/29/07	50.00	-	-	-	50.00
	08/05/07	50.00	-	-	-	50.00
	08/05/07	-	30.00	-	-	30.00
	08/11/07	50.00	-	-	-	50.00
	08/13/07	-	30.00	-	-	30.00
	08/25/07	-	30.00	-	-	30.00
	08/26/07	50.00	-	-	-	50.00
**	08/29/07	-	30.00	-	-	30.00
	09/08/07	50.00	-	-	-	50.00
**	09/09/07	50.00	-	-	-	50.00
	09/16/07	50.00	-	-	-	50.00
	09/16/07	-	30.00	-	-	30.00
	09/23/07	50.00	-	-	-	50.00
	09/29/07	50.00	-	-	-	50.00
	10/20/07	-	30.00	-	-	30.00
	10/27/07	-	30.00	-	-	30.00

Per Bank Statement		
Deposit Date	**Amount**	**Variance**
		50.00
		30.00
		30.00
		50.00
		50.00
04/02/07	50.00	30.00
		30.00
		30.00
		30.00
		50.00
07/16/07	50.00 #	-
		30.00
		50.00
		50.00
		50.00
07/26/07	30.00	20.00
		50.00
		50.00
		30.00
		50.00
		30.00
08/25/07	30.00	-
08/29/07	50.00	-
06/07/07	30.00	-
		50.00
09/10/07	50.00	-
		50.00
		30.00
		50.00
		50.00
		30.00
		30.00

Report on Special Investigation of the
City of Russell

Community Center Rent
For the period February 1, 2007 through September 30, 2008

	Per City Calendar					
	Event Date	**North Room ($50)**	**South Room ($30)**	**Both ($80)**	**Unknown**	**Total**
	10/28/07	-	30.00	-	-	30.00
	11/09/07	50.00	-	-	-	50.00
*	11/10/07	-	-	-	30.00	30.00
	11/22/07	50.00	-	-	-	50.00
**	11/22/07	-	30.00	-	-	30.00
	11/24/07	-	-	80.00	-	80.00
	12/01/07	-	-	80.00	-	80.00
	12/02/07	-	30.00	-	-	30.00
	12/14/07	50.00	-	-	-	50.00
	12/22/07	-	30.00	-	-	30.00
	12/28/07	50.00	-	-	-	50.00
	01/05/08	50.00	-	-	-	50.00
*	01/19/08	-	-	-	30.00	30.00
	01/26/08	-	30.00	-	-	30.00
	01/27/08	-	30.00	-	-	30.00
	02/13/08	-	30.00	-	-	30.00
	02/23/08	50.00	-	-	-	50.00
	02/26/08	-	30.00	-	-	30.00
*	03/06/08	-	-	-	30.00	30.00
	03/18/08	-	30.00	-	-	30.00
*	04/11/08	-	-	-	30.00	30.00
	04/19/08	50.00	-	-	-	50.00
	05/03/08	-	30.00	-	-	30.00
	05/17/08	-	-	80.00	-	80.00
	05/25/08	-	-	80.00	-	80.00
	06/08/08	50.00	-	-	-	50.00
	06/14/08	-	30.00	-	-	30.00
	06/15/08	-	30.00	-	-	30.00
	06/22/08	-	30.00	-	-	30.00
	06/22/08	50.00	-	-	-	50.00
	06/29/08	50.00	-	-	-	50.00

Per Bank Statement		
Deposit Date	**Amount**	**Variance**
10/26/07	25.00	5.00
		50.00
		30.00
		50.00
11/13/07	30.00	-
		80.00
11/26/07	50.00	30.00
		30.00
		50.00
		30.00
		50.00
		50.00
		30.00
		30.00
		30.00
03/04/08	20.00	10.00
03/04/08	30.00	20.00
		30.00
		30.00
		30.00
		30.00
		50.00
		30.00
05/16/08	50.00	30.00
		80.00
		50.00
		30.00
		30.00
		30.00
06/23/08	50.00	-
06/23/08	50.00	-

Report on Special Investigation of the
City of Russell

Community Center Rent
For the period February 1, 2007 through September 30, 2008

	Per City Calendar					
	Event Date	**North Room ($50)**	**South Room ($30)**	**Both ($80)**	**Unknown**	**Total**
	07/02/08	50.00	-	-	-	50.00
	07/20/08	50.00	-	-	-	50.00
**	08/03/08	-	30.00	-	-	30.00
	08/03/08	-	30.00	-	-	30.00
**	08/04/08	-	30.00	-	-	30.00
	08/09/08	-	30.00	-	-	30.00
	08/10/08	50.00	-	-	-	50.00
	08/23/08	50.00	-	-	-	50.00
	08/24/08	50.00	-	-	-	50.00
	09/07/08	-	30.00	-	-	30.00
	09/11/08	-	30.00	-	-	30.00
	09/14/08	-	30.00	-	-	30.00
	09/15/08	-	30.00	-	-	30.00
	09/21/08	50.00	-	-	-	50.00
	09/21/08	-	30.00	-	-	30.00
	09/28/08	50.00	-	-	-	50.00
	Total	$ 1,750.00	1,050.00	400.00	120.00	3,320.00

* - Because information recorded on the calendar was incomplete, we are unable to determine which room was rented. To be conservative, we estimated $30.00 should have been collected.

\# - Individual paid an extra $10.00 for rental, but we are unable to determine the reason.

** - Information recorded on the calendar was incomplete. With the assistance of City personnel, the individual/organization was contacted to determine which room was rented.

Per Bank Statement		
Deposit Date	**Amount**	**Variance**
		50.00
08/12/08	30.00	20.00
03/21/08	20.00	10.00
		30.00
04/29/08	20.00	10.00
		30.00
		50.00
		50.00
		50.00
		30.00
		30.00
		30.00
		30.00
		50.00
		30.00
		50.00
	665.00	2,655.00

Report on Special Investigation of the
City of Russell

Staff

This special investigation was performed by:

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

Tamera S. Kusian

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Report on Special Investigation of the
City of Russell

Copy of Employee Benefits and Policies

RESOLUTION NO. 07-03
2007 Employee Benefits and Policies

The Russell City council, does hereby Resolve to adopt the 2007 Employee Benefits and Policies.

WORK HOURS:
Amy: 8:30-12:30 M-F
Jason: 7-4 M-F
Mike: 8-5 M-F
1 hour lunch, exceptions of hours for water leaks and snow removal only.

TIME OFF: Mayor preapproval.

ABSENTEEISM: Call City Clerk.

SICK DAYS: Doctors slip after 3 days.

COMP TIME: Use by end of pay period. Only for water leaks and snow removal.

VACATION: Preapproval of 1 week. Must use by June 30th.
1 year = 2 weeks
5 year = 3 weeks
15 year = 4 weeks

TIME CARDS: Punch in and out. No writing on time cards. If don't punch in and out, no pay for that time.

FUNERAL LEAVE:
Immediate family 3 days includes: spouse, parents/in law, child, sibling.
Extended family 1 day includes: aunt, uncle, brother/sister/inlaw, etc.

PAY RAISES/REVIEWS: Review annually along with pay raises at that time.

Robert McCurdy, Mayor

Attest:

Amy Rodgers, City Clerk

Report on Special Investigation of the
City of Russell

Insurance Check Deposit Slip and Debit Memo

EBIT

Date 08/16/07

D. MASON
641-535-2747
~~RUSSELL 105~~

ccount

DESCRIPTION	AMOUNT	
Withdrawal from Checking for City of Russell Withdrawal Stating from Insurance for damage to Police Car	636	40
Amy Rodgers		
TOTAL	636	40

[redacted] 60

⑆073920845⑆

sted 08-16-2007 Reference Number 0652 00024220

CHECKING DEPOSIT TICKET

NAME City of Russell
ADDRESS 115 S. Maple
ACCOUNT NO. [redacted]
DATE 8/16/07
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

Amy Rodgers
SIGN HERE FOR CASH RECEIVED (IF REQUIRED)

Great Western Bank
Member FDIC

78-873
914 0

CASH	Currency		
	Coin		
List Checks Singly	Insurance	636.	40
	Police Car.		
Total from Other Side			
TOTAL			
* Less Cash Received	[redacted]		
NET DEPOSIT	636.	40	

Be certain each item is properly endorsed.

⑆091408734⑆ 9

sted 08-16-2007 Reference Number 0652 00024520

Report on Special Investigation of the
City of Russell

Copy of Letter from IRS

RF 01 200806 200912 24 C 290510 259
R05790 TE2 [redacted]

Department of the Treasury
Internal Revenue Service
HOLTSVILLE NY 11742-0480

Date of this notice: April 6, 2009
Notice Number: CP- 259
Taxpayer Identification Number:
[redacted]

Tax Form: 941
Tax Period: June 30, 2008

031533.548861.0157.004 2 AT 0.471 1172

CITY OF RUSSELL
% CITY CLERK
PO BOX 545
RUSSELL IA 50238-0545459

For assistance, call:
1-800-829-0115

[redacted]

Request for Your Tax Return

Why Are You Getting This Notice?

Our records show that you have not filed the tax return as shown below.

Form		Tax Period Ending
941	Federal Employment Tax	June 30, 2008

What Should You Do?

If you have not filed this tax return, please do the following:

- Prepare your tax return,
- Sign the return,
- Attach your payment for any tax due, and,
- We'll bill for any interest and penalties.

If you cannot pay the entire amount when you file this tax return, please do the following:

- Send as large of payment as you can, and,
- Contact us to make arrangements to pay the balance.

If you have already filed this tax return, please do the following:

- Send us a copy of it,
- Sign it or re-sign it,
- Date it, and,
- Allow 6 to 8 weeks to process your returns.

If you are due a refund, you must do the following:

- File within 3 years of the original due date of the tax return, or,
- File within 2 years from the date the tax was paid, whichever is later.

If you believe you are not required to file, please tell us why by completing the "Information About Your Tax Return" at the end of this notice.

If you need assistance you may call us at the number listed at the top of this notice.

For tax forms, instructions and information visit **www.irs.gov**. (Access to this site will not provide you with your specific taxpayer account information.)

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Report on Special Investigation of the
City of Russell

Copy of Letter from IRS

TIN [redacted] Form: 941 Tax Period: June 30, 2008

If you are out of the country and need assistance, please call 1-215-516-2000 (not a toll free number). Our hours of operation are Monday to Friday, 6:00 a.m. to 2:00 p.m. (Eastern Time).

What Happens If You Don't File or Response Is Not Clear?

We will contact you again if the following occurs:

- We need additional information,
- We need clarification of your response, or,
- We determine that you are required to file a tax return.

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