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NEWS RELEASE

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FOR RELEASE

June 21, 2019

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Auditor of State Rob Sand today released a report on a special investigation of the City of Martensdale Fire Department (Department) and the Martensdale Volunteer Firefighters Association (Association) for the period December 1, 2015 through December 31, 2017. Extended procedures were also performed for specific concerns presented, including the sale of City property in 2014. The special investigation was requested by City officials as a result of concerns regarding the disposition of a donation made to the Association by the City and the propriety of certain financial transactions of the Department and the Association.

Sand reported the special investigation identified \$567.94 of improper disbursements, \$4,670.93 of unsupported disbursements, and \$1,870.23 of disbursements from the City's bank accounts held for the Department for which the public purpose was not clearly documented. The \$567.94 of improper disbursements identified includes:

- \$254.94 of checks issued to vendors,
- \$150.00 of late fees on the Department's fuel card,
- \$91.00 of membership dues for individuals who were not active members of the Department, and
- \$72.00 of delivery fees paid for receiving hard copy statements for the Department's fuel card.

The \$4,670.93 of unsupported disbursements identified includes \$1,858.43 of checks issued to vendors, \$1,378.65 of purchases on the Department's fuel card, \$1,000.00 of membership dues and conference registrations, a \$385.00 cash withdrawal, and \$48.85 of EMS medications. The \$1,870.23 of disbursements identified for which the public purpose was not clearly documented includes:

- \$1,300.00 for campsites at an annual convention,
- \$526.00 of membership dues for active members of the Fire Department, and
- \$44.23 for the purchase of a gift basket.

Sand also reported the special investigation identified \$104.00 of improper disbursements, \$1,300.00 of unsupported disbursements, and \$814.15 of disbursements from the Association's bank account for which the public purpose was not clearly documented. The \$104.00 of improper disbursements identified was for membership dues for individuals who were not active members of the Department. The \$1,300.00 of unsupported disbursements identified and the

\$814.15 of disbursements identified for which the public purpose was not clearly documented consist of checks issued to vendors.

Sand reported it was not possible to determine if any additional improper disbursements were made or if all donations and collections were properly deposited during the period of the investigation because adequate records were not available.

The report includes recommendations for the Department and Association to strengthen internal controls, such as improvements to segregation of duties, maintaining supporting documentation for all disbursements, and ensuring all disbursements are properly approved by the City Council or Association officials.

Copies of the report have been filed with the Division of Criminal Investigation, the Warren County Attorney's Office, and the Attorney General's Office. A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION  
OF THE  
CITY OF MARTENSDALE FIRE DEPARTMENT AND  
MARTENSDALE VOLUNTEER FIREFIGHTERS ASSOCIATION  
FOR THE PERIOD  
DECEMBER 1, 2015 THROUGH DECEMBER 31, 2017**

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Auditor of State's Report

To the Mayor and Officials of the City of Martensdale and  
the Martensdale Firefighters Association:

As a result of concerns regarding the disposition of a donation made to the Martensdale Volunteer Firefighters Association (Association) by the City and the propriety of certain financial transactions of the City of Martensdale Fire Department (Department) and the Association, we have applied certain tests and procedures to selected financial transactions of the Department and Association for the period December 1, 2015 through December 31, 2017, except as identified. Based on a review of relevant information and discussions with current and former City officials and personnel, we performed the following procedures.

- (1) Reviewed the formation of the Association to determine whether it is a separate legal entity.
- (2) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (3) Reviewed activity in the City's bank accounts for the Department to identify any unusual activity. We also examined certain deposits to the City's bank accounts to determine the source, purpose, and propriety of each deposit for the period December 1, 2015 through November 30, 2018.
- (4) Reviewed activity in the Association's bank account to identify any unusual activity. We also examined certain deposits to the Association's bank account to determine the source, purpose, and propriety of each deposit.
- (5) Examined available supporting documentation for selected disbursements from the City's bank accounts for the Department and the Association's bank account to determine if they were properly approved, supported by adequate documentation, and appropriate for Department or Association operations.
- (6) Compared Warren County dispatch records to Department records to determine the completeness and accuracy of the fire calls and ambulance runs reported to the City Council.
- (7) Reviewed the December 2017 bank reconciliation to determine if all Department activity was properly accounted for in the City's records.
- (8) Interviewed current and former City officials and personnel to determine the expected work hours and approved salary for a certain City maintenance employee and volunteer firefighter to determine reasonableness.
- (9) Reviewed available City Council meeting minutes to identify significant actions, if any, related to the Department and/or Association and to determine if certain payments were properly approved. We also reviewed City Council meeting minutes from 2012 and 2014 to determine the propriety of the disposition of certain City lots which were purchased by a former City Council member and subsequently transferred to the Fire Chief.
- (10) Determined the current status of the findings and recommendations related to the Department and/or Association, if any, as reported in the Office of Auditor of State's Report on Applying Agreed-Upon Procedures for the period July 1, 2015 through June 30, 2016, which was issued June 27, 2017.

These procedures identified \$567.94 of improper disbursements, \$4,670.93 of unsupported disbursements, and \$1,870.23 of disbursements from the City's bank accounts held for the Department for which the public purpose was not clearly documented. The procedures also identified \$104.00 of improper disbursements, \$1,300.00 of unsupported disbursements, and \$814.15 of disbursements from the Association's bank account for which the public purpose was not clearly documented. We were unable to determine if additional amounts were improperly disbursed or if all donations and fundraiser collections were properly deposited because adequate documentation was not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibit A** 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 Martensdale Fire Department or the Martensdale Volunteer Firefighters Association, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Warren County Attorney's Office, 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 Martensdale and the Martensdale Volunteer Firefighters Association during the course of our investigation.



ROB SAND  
Auditor of State

June 18, 2019

Report on Special Investigation  
of the  
City of Martensdale Fire Department and the  
Martensdale Volunteer Firefighters Association

Investigative Summary

**Background Information**

The Martensdale Fire and Rescue Department (Department) is located in Martensdale, Iowa in Warren County. The Department provides fire, hazmat, rescue services, and community education to residents in its service area. The Department serves the City of Martensdale and provides mutual aid to the various cities and townships in Warren County. Department operations are overseen by the Fire Chief who is appointed by the Martensdale City Council.

In November 2015, the members of the Department established the Martensdale Volunteer Firefighters Association (Association) to raise funds to help support the operations of the Department. Membership in the Association is limited to members of the Department. The Association's primary revenue sources are donations and contributions received during fundraising events, including an annual chili supper held in the spring and water fights held at the end of the summer.

The City is responsible for paying the Department's operating expenses, utilities, fuel, insurance, monthly service fees for communications, training, building maintenance, and purchases and maintenance of equipment. In order to pay for the operations of the Department, the City budgets funds from its General Fund annually. In addition, the City has contracts with surrounding townships to provide fire and emergency services to the townships. All funds received under the contracts are deposited with the City and recorded in the City's accounting system.

The Department also bills individuals for emergency service calls they respond to. Prior to January 2018, the Fire Department of a neighboring community acted as the third-party billing agent. However, in January 2018, the City Council approved the use of a third-party billing service based in Colorado. The third-party billing service processes all billings and deposits payments received directly into a separate bank account established for the Department. Prior to 2017, members of the Department maintained control of the separate bank accounts established for the Department. However, during 2017, members of the Department worked with the City to transition control of the bank accounts to the City, except for the Association bank account which remains under the control of the Association.

All Department disbursements are to be made by check, except fuel purchases which are made using a WEX fuel card. All disbursements are to be supported by invoices or other documentation obtained by or submitted to the City Clerk. Each Department vehicle is assigned a WEX fuel card, and the member of the Department fueling the vehicle is required to enter the vehicle number and his/her helmet number when using the fuel card. According to the Fire Chief, mileage logs are not maintained in the vehicles because fuel consumption is affected by the amount of time a vehicle is idling while on a call. Each month, the City Clerk is to prepare a listing of bills to be paid and provide the listing to the City Council for approval. After the City Council approves the bills, the City Clerk prepares and signs the checks. The checks are given to the Mayor to be countersigned.

According to the Fire Chief, disbursements from the Association bank account are discussed by the Association members at meetings; however, they do not have a formal review or approval process and approval is not always documented in the meeting minutes.

The City holds 6 bank accounts for the Department, including 4 checking accounts, a money market account, and a savings account. After the Association was established in November 2015, it established a separate bank account on January 8, 2016 funded with a \$25,000.00 donation from the City. According to the Fire Chief, the members of the Department felt this was the amount of accumulated donations the City had received on behalf of the Department. However, they were unable to provide supporting documentation to corroborate this claim.

In early 2017, the Office of Auditor of State performed agreed-upon procedures for the City to satisfy the annual examination requirement for the fiscal year ended June 30, 2016. Our report, issued on June 27, 2017, included a finding regarding the propriety of the City’s donation to the Association, a non-profit organization. We recommended, in part, “The City should recover the remaining funds provided to the Association.... In addition, the City should require an immediate accounting for these public funds from the date of each donation.” The report also included a finding regarding the separate bank accounts maintained by the Department which were not included in the City’s accounting records, annual budget, or reports to the City Council and we recommended the financial activity and balances of those accounts be included in the City’s accounting records.

During the City Council meeting held on September 28, 2017, a conference call was held with representatives from the Office of Auditor of State to discuss the finding and recommendation regarding the City’s donation to the Association. The City Council meeting ended with the former Mayor reiterating the recommendation any funds remaining from the donation should be returned to the City, which was confirmed by the Office of Auditor of State representatives.

On October 17, 2017, we met with City officials regarding concerns they had as a result of the recommendations from the annual examination. The City officials we spoke with stated the Association had spent all but approximately \$5,000.00 of the City’s donation but were refusing to provide supporting documentation for the disbursements made with the donated funds. In addition, members of the Department were still maintaining the separate bank accounts which were to be relinquished to the City. The City officials we spoke with also stated detailed supporting documentation was not being provided for Department disbursements issued from the City’s bank accounts. As a result, they stated they were concerned with the propriety of certain disbursements, potential commingling of Department and Association funds, and the lack of accountability of the Department to the City.

As a result of the concerns identified, we performed the procedures detailed in the Auditor of State’s Report for the period December 1, 2015 through December 31, 2017.

### **Detailed Findings**

The procedures performed identified \$567.94 of improper disbursements, \$4,670.93 of unsupported disbursements, and \$1,870.23 of disbursements from the City’s bank accounts held for the Department for which the public purpose was not clearly documented. These disbursements are summarized in **Table 1**.

**Table 1**

<b>Description</b>	<b>Exhibit/ Page</b>	<b>Improper Disbursements</b>	<b>Unsupported Disbursements</b>	<b>Public Purpose</b>
Checks issued to vendors	<b>Page 9</b>	\$ 254.94	1,858.43	-
Cash withdrawal	<b>Page 9</b>	-	385.00	-
Purchases on the WEX fuel card	<b>Exhibit A</b>	-	1,378.65	-
Late fees on the WEX fuel card	<b>Page 10</b>	150.00	-	-
Delivery fees for the WEX fuel card	<b>Page 10</b>	72.00	-	-
Membership dues – non-members/ honorary member	<b>Page 11</b>	91.00	120.00	-
Conference registrations	<b>Page 11</b>	-	880.00	-
EMS medications	<b>Page 11</b>	-	48.85	-
Campsites	<b>Page 13</b>	-	-	1,300.00
Membership dues – active members	<b>Page 13</b>	-	-	526.00
Gift basket	<b>Page 13</b>	-	-	44.23
Total		\$ 567.94	4,670.93	1,870.23

In addition, the procedures performed identified \$104.00 of improper disbursements, \$1,300.00 of unsupported disbursements, and \$814.15 of disbursements from the Association’s bank account for which the public purpose was not clearly documented. These disbursements are summarized in **Table 2**.

**Table 2**

<b>Description</b>	<b>Exhibit/ Page</b>	<b>Improper Disbursements</b>	<b>Unsupported Disbursements</b>	<b>Public Purpose</b>
Checks issued to vendors	<b>Page 9</b>	\$ -	500.00	814.15
Cash withdrawals	<b>Page 9</b>	-	800.00	
Membership dues	<b>Page 11</b>	104.00	-	-
Total		\$ 104.00	1,300.00	814.15

Because supporting documentation was not available for all transactions, it was not possible to determine if additional amounts were improperly disbursed or if all donations and collections were properly deposited. The improper and unsupported disbursements identified, as well as the disbursements identified for which the public purpose was not clearly documented, are discussed in detail in the following paragraphs.

#### **CITY DONATION TO THE ASSOCIATION**

As previously stated, the Association opened a bank account on January 8, 2016 with a \$25,000.00 donation received from the City; however, the Agreed-Upon Procedures Report issued by the Office of Auditor of State recommended the City recover that donation. Also, as previously stated, members of the Department informed City officials a portion of the donated funds had already been spent. On September 28, 2017, City officials consulted with representatives from the Office of Auditor of State to determine the course of action to be taken by the City. As a result of that discussion, the City Council requested the Association provide supporting documentation for funds already spent, and if any disbursements were determined to be inappropriate by the City Council, those funds would be reimbursed to the City by the Association. In addition, all unspent funds from the donation were to be returned to the City.

We determined \$20,055.13 of the City’s \$25,000.00 donation had been spent by the Association at the time of the meeting where supporting documentation was provided. **Table 3** summarizes the disbursements made from the Association’s account using the funds donated by the City.

**Table 3**

<b>Date</b>	<b>Check Number</b>	<b>Vendor</b>	<b>Description</b>	<b>Amount</b>
03/18/16	5507	Bob’s Custom Trophies	Years of service recognition plaques	\$ 210.00
04/05/17	5516	James Brantley	Embroidered jackets	660.00
09/08/17	5520	Zoll Medical	Parts for new defibrillator	1,935.13
09/20/17	5523	MES	Bunker gear	17,250.00
Total				\$ 20,055.13

The City Council reviewed the supporting documentation provided for the 4 disbursements summarized in the **Table** and approved the payments to Zoll Medical and MES at the November 6, 2017 City Council meeting. However, the disbursements to Bob’s Custom Trophies and James Brantley for \$210.00 and \$660.00, respectively, were not approved by the City Council. As a

result, the Association reimbursed the City for these disbursements on November 20, 2017, and the funds were deposited into the City account held for the Department on December 11, 2017.

The \$4,944.87 unspent portion of the donation was returned to the City on October 8, 2017 and deposited into the City account held for the Department on November 13, 2017.

Because the spent donated funds which were not approved by the City Council and the remaining unspent balance of the donation were properly returned to the City by the Association, these amounts are not included in **Table 2**.

## **IMPROPER AND UNSUPPORTED DISBURSEMENTS**

As previously stated, the City holds 6 bank accounts for the Department, including 4 checking accounts, a money market account, and a savings account, and the Association established a separate bank account in January 2016. Also, as previously stated, all Department disbursements are to be made by check, and fuel is purchased with a Department WEX fuel card assigned to each Department vehicle. We scanned all disbursements and redeemed checks from the 6 bank accounts identified and all charges to the WEX fuel cards for the period December 1, 2015 through December 31, 2017.

Using the available supporting documentation, discussions with City officials, discussions with the Fire Chief, and approved disbursement listings, we classified payments as improper, unsupported, or reasonable. Disbursements were classified as improper if they were personal in nature or not necessary or reasonable for operations of the Department. Disbursements were classified as unsupported if appropriate documentation was not available or it was not possible to determine if the disbursement was related to Department operations or was personal in nature. Other disbursements were classified as reasonable if it appeared they were for Department operations.

The improper and unsupported disbursements identified and the improper and unsupported purchases made with the Department's WEX fuel cards are explained in detail in the following paragraphs.

### **Checks Issued to Vendors**

As previously stated, we reviewed all disbursements and redeemed checks from the 6 City bank accounts and the Association bank account for the period December 1, 2015 through December 31, 2017. As a result of our review, we identified 3 disbursements totaling \$254.94 issued from the City bank accounts which were considered improper, including:

- \$125.00 paid to Fleming's Prime Steakhouse on December 20, 2015 for a gift card.
- \$100.00 paid to Chris Seymour on March 16, 2016 for which no supporting documentation was maintained in the Department's records. Based on the memo portion of the check and discussions with the Fire Chief, this payment was reimbursement for a donation made as a memorial.
- \$29.94 of sales tax paid on the purchase of an air conditioner. Check #2748 totaling \$528.94 was issued to Robert Seymour on July 29, 2017 as reimbursement for the purchase of an air conditioner for the Department. According to the City officials we spoke with, this purchase was not discussed with the City Council prior to the reimbursement request. Because Mr. Seymour paid for the purchase using personal funds, the Department incurred \$29.94 of sales tax, which would not have been incurred had the City made the purchase directly.

In addition, we identified 3 disbursements totaling \$1,858.43 issued from the City bank accounts for which sufficient documentation was not available for us to determine if the payments were for

Department operations or personal in nature. The disbursements considered unsupported include:

- \$767.36 paid to DLH Grafz on August 24, 2016. Based on the memo portion of the check, this was payment for a clothing order.
- \$765.26 paid to Irene Wheeldon on December 21, 2016. Based on the memo portion of the check, this was a reimbursement for tools purchased by Ms. Wheeldon on behalf of the Department.
- \$325.81 paid to Office Depot on November 16, 2017. The memo portion of the check contained what appeared to be an invoice number.

We also identified a cash withdrawal for \$385.00 dated July 29, 2016 for which sufficient supporting documentation was not available, which was considered unsupported.

During our testing, we determined only 4 of the 18 disbursements tested were included on the claims listing provided to the City Council. The \$254.94 of improper disbursements, \$1,858.43 of unsupported disbursements, and \$385.00 unsupported cash withdrawal identified are included in **Table 1**.

In addition, we identified a disbursement totaling \$500.00 and 2 cash withdrawals totaling \$800.00 issued from the Association bank account for which sufficient documentation was not available for us to determine if the payments were for Department operations or personal in nature. The disbursements considered unsupported include:

- a \$500.00 reimbursement issued to Chris Seymour on March 5, 2016. According to the Fire Chief, the members of the Department held a “Fill the Boot” fundraiser for a fallen firefighter and Mr. Seymour wrote a personal check for the funds collected.
- 2 cash withdrawals of \$400.00 each dated March 7, 2016 and March 6, 2017. According to the Fire Chief, the funds were withdrawn to be used as a change fund for the annual chili supper.

The \$500.00 unsupported disbursement and the \$800.00 of unsupported cash withdrawals identified are included in **Table 2**.

### **WEX Fuel Cards**

As previously stated, the Department has a WEX fuel card account and assigns a fuel card to each Department vehicle. We obtained copies of the monthly WEX fuel card statements for the period December 1, 2015 through December 31, 2017 and reviewed the activity on them and the available supporting documentation to determine if purchases were necessary and reasonable for Department operations or personal in nature.

Based on our review of the available WEX fuel card statements, we determined:

- Statements for 3 months were not complete. As a result, we did not have detailed transaction information for purchases totaling \$686.64. Because we were unable to determine whether the purchases were fuel and/or non-fuel and what type of fuel, if applicable, we considered the \$686.64 as unsupported disbursements. The total purchase amounts identified are listed in **Exhibit A**.
- Statements for 3 months could not be located. As a result, we were unable to review any information related to the purchases. Based on the payments identified, purchases totaled \$362.44 for the 3 months identified. Because we were unable to determine whether the purchases were fuel and/or non-fuel and what type of fuel, if applicable, we considered the \$362.44 as unsupported disbursements. The total purchase amounts identified are listed in **Exhibit A**.

- \$115.59 of the purchases made were for non-fuel items; however, no supporting documentation could be located for these purchases. According to the Fire Chief, these purchases were most likely for Gatorade and/or water for responders who were required to be on-site at a call for a significant period of time. Because we are unable to determine the items purchased and whether they were for Department operations or personal in nature, the \$115.59 of purchases identified are considered unsupported and are listed in **Exhibit A**.

To determine the reasonableness of the fuel purchases on the Department's WEX fuel card, we obtained the Department's dispatch log to identify the days and times of calls responded to and the length of the calls. However, during our review of the dispatch log, we determined the number of runs reported to the City Council did not agree with the number of calls listed in the dispatch log. As a result, we contacted the Warren County Sheriff's Office and obtained all fire and EMS calls dispatched to and responded by the Department during the review period. We compared the dates, vehicle types and any other identifying information from the Warren County Dispatch Log to the fuel purchases made with the Department's WEX fuel card.

If the Department responded to a call the day of a fuel purchase and/or within 5 days prior to a fuel purchase and the type of fuel purchased corresponded to the type of vehicle dispatched, the fuel purchases were considered reasonable. Of the 55 fuel purchases reviewed which had supporting documentation, we identified 4 fuel purchases totaling \$213.98 which were not made on the day of a call or within 5 days of a call listed on the Warren County Dispatch Log. However, of the 4 fuel purchases identified, 3 were on the same day and at the same location. In addition, 3 of the 4 purchases were for diesel fuel. Because we were unable to determine whether these purchases were for Department operations or were personal in nature, the \$213.98 of fuel purchase identified are considered unsupported and are listed in **Exhibit A**.

The \$1,378.65 of unsupported disbursements listed in **Exhibit A**, including \$686.64 and \$362.44 of fuel purchase for which incomplete statements were available or no statement could be located, respectively, \$115.59 of non-fuel purchases, and \$213.98 of fuel purchases which did not have sufficient supporting documentation, are also included in **Table 1**.

In addition, we identified 2 \$75.00 charges for late fees and 24 monthly \$3.00 charges for a paper statement delivery fee on the Department's WEX fuel card statements. Because the City is responsible for ensuring timeliness of payments, the 2 late fees identified totaling \$150.00 are included in **Table 1** as improper disbursements. Also, because the Department could have the WEX fuel cards delivered electronically at no cost, the 24 monthly paper statement delivery fees totaling \$72.00 are included in **Table 1** as improper disbursements.

### **Membership Dues**

As previously stated, we reviewed all disbursements and redeemed checks from the 6 City bank accounts and the Association bank account for the period December 1, 2015 through December 31, 2017. During our review, we identified payments from the City bank accounts and the Association bank account for individual membership dues to various organizations.

Using available supporting documentation, we identified who each membership was for and used a Department roster to determine if the individual was an active member at the time of the disbursement. Disbursements were determined to be improper if a membership due was paid for an individual who either was not an active member of the Department or was an honorary member. Disbursements for membership dues for which sufficient supporting documentation was not available were considered unsupported.

We identified \$91.00 of improper membership dues issued from the City bank accounts. Specifically, a \$312.00 payment was issued to the Iowa Firefighters Association (IFA) on February 13, 2017 for 24 annual memberships. Of the 24 individuals listed, 7 were either not

listed as an active member or were listed as an honorary member on the Department's roster. As a result, \$91.00 of the \$312.00 is considered improper.

We also identified a \$120.00 payment issued to IEMSA on January 6, 2016 for which no supporting documentation was maintained in the Department's records.

The \$91.00 of improper disbursements and \$120.00 of unsupported disbursements are included in **Table 1**.

In addition, we identified an \$880.00 payment issued to IEMSA on October 10, 2016 which initially appeared to be for membership dues. However, based on the memo portion of the check, this payment was for conference registrations for 4 members of the Department. Because we were unable to locate supporting documentation for this payment, the \$880.00 identified is included in **Table 1** as unsupported disbursements.

We identified \$104.00 of improper membership dues issued from the Association bank account. A \$338.00 payment was issued to the IFA on January 6, 2016 for 26 annual memberships. Of the 26 individuals listed, 8 were either not listed as an active member or were listed as an honorary member on the Department's roster. As a result, \$104.00 of the \$338.00 is considered improper and is included in **Table 2**.

### **EMS Medications**

During our review of disbursements from the 6 City bank accounts and the Association bank account, we identified payments to Hy-Vee for medications. Using available supporting documentation, we compared the medications purchased to a listing of medications the Department administers which was provided by the Fire Chief. We determined the medications listed by the Fire Chief are considered allowable for the Department in accordance with the Iowa Department of Public Health (IDPH) Emergency Medical Care Provider Scope of Practice.

We also obtained documentation from IDPH regarding the medications each level of Emergency Medical Technician (EMT) is allowed to administer and the licenses of each EMT listed as active on the Department's roster. As a result, we determined 1 of the Department's EMT licenses had expired and was no longer active.

When we compared the approved medications per IDPH to the medications purchased by the Department at Hy-Vee, we did not identify any medications they were not allowed to administer. We determined the Department's EMTs were authorized to administer all the medications purchased by the Department at Hy-Vee.

However, we identified a disbursement to Hy-Vee from the City's bank account as unsupported. Specifically, we determined supporting documentation was not available for a \$48.85 payment issued on January 4, 2017. Because we were unable to determine if the purchase was for Department operations or personal in nature, the \$48.85 purchase is included in **Table 1** as an unsupported disbursement.

### **OTHER ADMINISTRATIVE ISSUES**

**Bank Reconciliation** – Each month the City Clerk reconciles the bank balances at the end of the month to the cash fund balances listed in the City's accounting system. These reconciliations are to include all of the City's bank accounts.

We reviewed the December 2017 bank reconciliation prepared by the City Clerk and determined 2 of the bank accounts held by the City for the Department were not properly included in the City's bank reconciliation and financial reports. This resulted in an understatement of the City's cash fund balances in the reports of \$7,935.65.

In addition, we determined certain bank accounts were under the control of the Department prior to fiscal year 2016. Based on a review of the City Council meeting minutes, the City Council approved transfers to the Department during fiscal years 2011 through 2015, which were checks issued to the Department and deposited in a separate bank account. Although the discussion and approval of the City Council was documented in the meeting minutes for certain transfers, others had no additional explanation or supporting documentation. The City discontinued this practice in fiscal year 2016. Because these transfers were prior to our period of review and the City stopped this practice in fiscal year 2016, we did not perform detailed testing of these transfers and no amounts are included in **Table 1**.

**Public Purpose** – We determined it was common practice for the City to pay for campsites for Department members to attend an annual convention and optional membership dues. However, the City does not have a policy regarding the public purpose of paying for campsites or voluntary membership dues for Department members with City funds.

According to the City officials we spoke with, it is unclear whether the annual convention is more of a social event or whether training exercises are held. Based on a review of the agenda from the convention held in 2018, there does appear to be certain training exercises held; however, a significant portion of the event was comprised of social events. We determined the Department members each pay their own registration fees for the annual convention. We identified 2 checks totaling \$1,300.00 for campsites during the period reviewed, as follows:

- \$650.00 issued to Waverly Fire Convention on April 6, 2016 for the 2016 IFA convention.
- \$650.00 issued to the Forest City Fire Department on April 18, 2017 for the 2017 IFA convention.

During our review of disbursements from the 6 City bank accounts, we also identified 7 payments totaling \$570.23 for membership dues and a Christmas gift, including:

- 3 payments to various organizations totaling \$150.00 for membership dues for active members of the Department,
- a \$312.00 payment issued to the IFA on February 13, 2017 for 24 annual memberships. Of the \$312.00 paid, \$221.00 was for membership dues of 17 active members of the Department,
- a \$150.00 payment issued to IEMSA on November 3, 2016 for 5 annual memberships. Of the \$150.00 paid, \$120.00 was for membership dues of active members of the Department.
- a \$320.00 payment issued to Warren County Fire EMS on December 7, 2016. Of the \$320.00 paid, \$285.00 was for the annual contract to participate in the responding network. However, the remaining \$35.00 was for Department-wide membership dues.
- a payment for \$44.23 issued to Hy-Vee on December 21, 2015 for a Christmas card and a produce gift basket.

Because membership in the various organizations, such as IFA and IEMSA, are not a requirement of volunteering for the Department, it is not clear how payment of membership dues for active members of the Department serves a public purpose. As previously stated, the City does not have a policy addressing the public purpose of membership dues. In addition, we were unable to locate any documentation of the public purpose served on either the available support or in the City Council meeting minutes.

The City also does not have a policy which addresses the public purpose served by such items as the Christmas card and produce gift basket. Although there may be circumstances under which such items are appropriate, the City was unable to provide supporting documentation which included a description of the public purpose served by the purchase.

An Attorney General's opinion dated April 25, 1979 states, in part, "The key is 'public purpose'; public monies may be spent only for the public benefit. Iowa Constitution, Article III, Section 31." Although it is possible for such disbursements to meet the test of public purpose under certain circumstances, such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The \$1,300.00 of disbursements for campsites and the \$570.23 of other payments identified, including \$526.00 for membership dues and \$44.23 for the purchase of a gift, are included in **Table 1**.

**Fire/EMS Runs** – The Department responds to emergency calls throughout Warren County and maintains records of the incident runs the Department responds to, which show the type of call, the time and date of the call, the address where the units responded, what units responded, the persons involved, and a radio log. The Warren County Sheriff's Office provides dispatch services to the Department. At each City Council meeting, the Fire Chief reports the number of runs responded to from the previous month.

As previously stated, we determined the number of runs reported to the City Council did not agree with the number of runs listed in the Department's incident run records. We also determined that neither the number of runs reported nor the Department's incident records agreed with the dispatch records maintained by the Warren County Sheriff's Office. When we compared the incident runs listed in the Department's records to the calls responded to reported in the County dispatch records, we identified the following discrepancies:

- For calendar year 2015, 34 of 106 incident runs recorded in the County's dispatch records, or 32.1%, were not properly included in the Department's runs records.
- For calendar year 2016, 34 of 123 incident runs recorded in the County's dispatch records, or 27.6%, were not properly included in the Department's runs records.
- For calendar year 2017, 54 of 176 incident runs recorded in the County's dispatch records, or 30.7%, were not properly included in the Department's runs records.

Because the third-party billing agent used by the City obtains its information directly from the Warren County Sheriff's Office for billing purposes, we did not identify any concerns with the accuracy of ambulance billings. However, the Department should ensure accurate information is provided to the City Council regarding the number of calls the Department responds to.

**Payroll** – During our fieldwork, a concern was brought to our attention regarding the hours worked, the paid leave used, and the completion of timesheets by the City's full-time maintenance employee. Based on discussions with City officials, no formal expectations were documented for the hours worked by the full-time maintenance employee. They further stated the hours worked were based on the required tasks and the maintenance employee's hours could fluctuate. However, City officials we spoke with stated while some weeks may be less than 40 hours the full-time maintenance employee also worked weeks which totaled more than 40 hours.

In addition, we determined prior to the fall of 2018, the City did not have a formal mechanism to monitor and approve paid leave, and timesheets were not completed by the full-time maintenance employee. However, currently, leave forms are submitted for review and approval by the Mayor and the approved leave forms are given to the City Clerk to be entered into a spreadsheet for monitoring leave balances.

In the fall of 2018, the full-time maintenance employee took an extended medical leave. However, no supporting documentation was maintained regarding the paid leave accrued or used. Also, during that time, the City's part-time maintenance employee increased his hours. According to City officials, the part-time employee completes a timesheet and is paid an hourly rate.

Because paid leave records were not maintained prior to the fall of 2018, we are unable to determine whether the full-time maintenance employee received salary for paid leave not accrued. As a result, no amount was calculated or taken to the **Tables**.

**Sale of City Lots** – During our testing, we determined the City sold vacant City lots to a former City Council member for \$1.00 in 2012. The paperwork was drafted; however, it was never properly filed and recorded with the County. The individual who purchased the lots subsequently transferred ownership of the property to the Fire Chief.

In late 2013, City officials became aware the paperwork was not properly recorded and held a public hearing on January 6, 2014 for the sale of the land. At that City Council meeting, another individual who was not the original buyer of the lots offered to purchase the land for \$2,000.00. However, the City Council chose to honor the original sale from 2012. The City should consult legal counsel to ensure the sale of the City lots was properly handled.

### **Recommended Control Procedures**

We reviewed the procedures used by the Department to process receipts and disbursements. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be identified 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 and Association'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. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – handling, reconciling bank accounts, and recording;
  - (2) Receipts – opening the mail, collecting, preparing deposits, posting to the ledger, and making deposits;
  - (3) Disbursements – purchasing, preparing disbursements, posting to the ledger, and maintaining supporting documentation;
  - (4) Financial reporting – preparing and reconciling; and
  - (5) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.

For the Martensdale Volunteer Firefighters Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling, and recording;
- (2) Receipts – collecting, depositing, posting, and reconciling; and
- (3) Disbursements – purchasing, preparing disbursements, posting to the ledger, and maintaining supporting documentation.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the City and the Association should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel and/or elected officials.

- B) Supporting Documentation – Neither the Department nor the Association maintained adequate supporting documentation for purchases from vendors or reimbursements to individuals. As a result, we cannot determine whether all purchases and reimbursements

to individuals were necessary and reasonable for the operations of the Department or Association.

Recommendation – The Department and Association should implement policies requiring adequate supporting documentation be provided in order to determine the goods and services purchased, the related quantity, and reimbursements to individuals are necessary and reasonable for the operations of the Department. Disbursements should not be approved unless adequate supporting documentation is available. Disbursements should be approved by the City Council or Association Board prior to payment.

C) Disbursements – During our review of the Department’s disbursements, the following were identified:

- (1) Disbursements were not always supported by invoices or other documentation.
- (2) Not all disbursements were approved by the City Council.
- (3) The City incurred late payment fees because the City Clerk did not pay certain City obligations in a timely manner.
- (4) The Association does not have a formal process in place to review and approve disbursements from the Association’s bank account.

Recommendation – All Department disbursements should be approved by the City Council prior to payment, with the exception of those specifically allowed by a City Council approved policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval. All payments should be remitted in a timely manner to ensure late fees are not incurred.

The Association should implement procedures to ensure all disbursements are reviewed and approved by Association members. Approval should be documented in Association meeting minutes.

D) Record Retention – The Department’s incident run records did not properly include all runs responded to when compared to the Warren County Sheriff’s Office dispatch records.

Recommendation – The Department should implement procedures to ensure all incident runs the Department responds to are properly recorded in the Department’s records.

E) Public Purpose – During our review of disbursements, we identified certain purchases which may not meet the test of public purpose, such as campsites for annual conventions and membership dues for members of the Department. The Department does not have a written policy addressing the public purpose of purchasing these items and the public purpose served is not clear. An Attorney General’s opinion dated April 25, 1979 states, in part, “The Key is ‘public purpose’; public monies may be spent only for the public benefit. Iowa Constitution, Article III, Section 31.”

Recommendation – The City Council and Association Board should ensure all disbursements meet the test of public purpose. In addition, the City and the Association should develop a written policy regarding the allowability of membership dues.

**Exhibit**

Report on Special Investigation of the  
City of Martensdale Fire Department and the  
Martensdale Volunteer Firefighters Association

Unsupported Fuel Card Purchases  
For the Period December 1, 2015 through December 31, 2017

**Per WEX Statement**

<b>Date</b>	<b>Site Location</b>	<b>Fuel</b>	<b>Other</b>	<b>Total</b>
11/18/15	100 County Line Bevington, IA	\$ -	26.85	26.85
^ 11/18/15	100 County Line Bevington, IA	33.67	-	33.67
^ 11/18/15	100 County Line Bevington, IA	100.23	-	100.23
^ 11/18/15	100 County Line Bevington, IA	32.88	-	32.88
03/16/16	100 County Line Bevington, IA	-	30.89	30.89
04/20/16	100 County Line Bevington, IA	-	42.87	42.87
05/31/16	**	249.11	-	249.11
06/30/16	100 County Line Bevington, IA	-	14.98	14.98
^ 08/17/16	530 North Ave Norwalk, IA	47.20	-	47.20
12/31/16	**	59.57	-	59.57
07/31/17	**	53.76	-	53.76
08/31/17	##	113.04	-	113.04
09/30/17	##	137.33	-	137.33
12/01/17	##	436.27	-	436.27
Total				\$ 1,378.65

^ - Fuel purchase was not the day of a run or within 5 days of a run.  
Unable to determine whether reasonable for Department operations.

\*\* - Monthly statement could not be located. As a result, detailed transaction information was not available.

## - Monthly statement was not complete. As a result, detailed transaction information was not available.

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Report on Special Investigation of the  
City of Martensdale Fire Department and the  
Martensdale Volunteer Firefighters Association

Staff

This special investigation was performed by:

Jennifer Campbell, CPA, Manager  
Ryan T. Jelsma, Senior Auditor II  
Alex W. Case, Senior Auditor

  
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Deputy Auditor of State