



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
515/281-5835
Or Jim Cunningham
515/281-5834

FOR RELEASE

June 13, 2023

Auditor of State Rob Sand today released a report on a special investigation of the City of Cumberland for the period January 1, 2014 through June 30, 2021. The special investigation was requested by City officials as a result of concerns regarding certain financial transactions processed by the former City Clerk, Grace Thomsen.

Sand reported the special investigation identified \$58,532.27 of improper disbursements, \$30,214.56 of undeposited, uncollected, and/or unbilled utility charges and fees, and \$3,308.60 of unsupported disbursements. However, because City records were not sufficiently maintained, it was not possible to determine if additional undeposited, uncollected, and/or unbilled utility transactions existed or if additional amounts were improperly disbursed.

Sand reported the \$58,532.27 improper disbursements identified includes:

- \$26,877.58 of payroll related late fees and interest to Internal Revenue Service, IPERS, Department of Revenue, and Wellmark Blue Cross Blue Shield.
- \$18,837.17 of unauthorized payroll and reimbursements issued to Ms. Thomsen.
- \$10,207.80 of unauthorized payroll and reimbursements issued to other City officials and employees.
- \$971.86 of improper disbursements to other vendors, and
- \$1,637.86 of late fees and finance charges to other vendors.

Sand also reported the total undeposited, uncollected, and/or unbilled utility charges identified includes:

- \$4,248.70 of undeposited and/or uncollected payments for the utility account held by Ms. Thomsen and her spouse,
- \$2,325.20 of unbilled utility charges for the utility account held by Ms. Thomsen and her spouse,
- \$17,993.57 of undeposited collections for other selected utility accounts held by City residents,
- \$3,767.09 of unbilled utility charges and late fees for other selected utility accounts held by City residents.

- \$1,180.00 of undeposited miscellaneous collections, and
- \$700.00 of cash withheld from deposit.

The \$3,308.60 of unsupported disbursements identified is composed of transactions for which the City could not provide supporting documentation, including reimbursements to Ms. Thomsen and other City employees and purchases made to other vendors.

During an interview, Ms. Thomsen admitted she had either not billed or not paid her utilities until March 2021. In addition, Sand reported several credit memos were processed on various resident accounts to adjust the account balances for payments which had been posted but subsequently deleted.

Sand recommended City officials implement procedures to ensure the City's internal controls are strengthened, including segregation of duties, performing utility reconciliations, reviewing timesheets and/or calendars for payroll, and ensuring all disbursements are properly supported, approved, and paid in a timely manner.

Copies of the report have been filed with the Cass County Sheriff's Office, the Iowa Division of Criminal Investigation, the Cass County Attorney's Office, and the Iowa Attorney General's Office. A copy of the report is available for review on the Auditor of State's website at [Special Interest Reports](#).

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**REPORT ON SPECIAL INVESTIGATION
OF THE
CITY OF CUMBERLAND

FOR THE PERIOD
JANUARY 1, 2014 THROUGH JUNE 30, 2021**

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Rob Sand
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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Auditor of State's Report

To the Honorable Mayor and
Members of the City Council:

As a result of concerns regarding certain financial transactions processed by the former City Clerk and at your request, we conducted a special investigation of the City of Cumberland. We have applied certain tests and procedures to selected financial transactions of the City for the period January 1, 2014 through June 30, 2021, unless otherwise specified. Based on a review of relevant information and discussions with City officials and personnel, we performed the following procedures:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Examined detailed customer history reports generated from the City's utility system for selected individuals, including the former City Clerk, Grace Thomsen, to determine whether utility services provided by the City were properly billed and customer payments were properly posted for the period July 1, 2014 through June 30, 2021.
- (3) Reviewed collections recorded in the City's accounting system for Community Center rental income and bar revenue to determine if collections were properly deposited to the City's bank account for the period August 1, 2014 through June 30, 2021.
- (4) Examined payroll disbursements issued to Ms. Thomsen to determine the propriety of the payments for the period December 31, 2014 through June 8, 2021.
- (5) Examined paid leave accrued and used by City employees, including vacation, sick leave, and compensatory time, to determine whether paid leave balances were properly calculated and to determine whether paid leave used exceeded paid leave available for the period December 2014 through June 2021.
- (6) Obtained and reviewed transcripts provided by the Internal Revenue Service to determine whether federal payroll withholdings were remitted in a timely manner.
- (7) Reviewed payments to IPERS to determine if payroll contributions were remitted in a timely manner.
- (8) Reviewed statements for the City's Walmart Community Card and obtained and examined information from Walmart for purchases made between April 22, 2014 and June 30, 2021 to determine if they were appropriate for City operations and supported by adequate documentation. We also reviewed the payments posted to the City's Walmart Community Card to determine if the payments were issued from the City's bank account.
- (9) Reconciled beer and liquor purchases made from the City's bank account or with the City's Walmart Community Card to the alcohol inventory maintained to determine whether the quantities purchased were reasonable beginning with the fall of 2019 when the City assumed operations of the Community Center bar.
- (10) Reviewed available City Council meeting minutes to identify significant actions and to determine if certain payments were properly approved for the period January 10, 2012 through December 14, 2021.
- (11) Interviewed City officials and personnel to determine the purpose of certain disbursements to vendors and reimbursements to employees.

- (12) Interviewed Ms. Thomsen to obtain an understanding of how she carried out her job duties and the hours she was expected to work on a weekly basis. Also, to obtain explanations for certain transactions made within the City's utility system.

Because the City's bank statements were not available prior to July 1, 2015, we performed the following procedures for the period July 1, 2015 through June 30, 2021:

- (13) Reviewed activity in the City's bank accounts to identify any unusual activity.
- (14) Examined bank records for certain deposits to the City's bank accounts to determine the source, purpose, and propriety of each deposit.
- (15) Compared collections recorded in the City's accounting system to detailed records for certain bank deposits to determine if collections were properly deposited.
- (16) Scanned images of redeemed checks issued from the City's bank account for reasonableness. We examined supporting documentation for selected disbursements to determine if they were properly approved, supported by adequate documentation, and appropriate for the City's operations.
- (17) Obtained and examined the City's account histories and invoices for selected vendors to determine if amounts due were paid in a timely manner.
- (18) Examined reimbursements issued to City employees to determine the propriety of the payments.

These procedures identified \$58,532.27 of improper disbursements, \$30,214.56 of undeposited collections, and \$3,308.60 of unsupported disbursements. We were unable to determine if additional undeposited, uncollected, and/or unbilled utility charges existed or if additional amounts were improperly disbursed 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 **Exhibits A** and **C** 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 Cumberland, other matters might have come to our attention that would have been reported to you.

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

We would like to acknowledge the assistance extended to us by officials and personnel of the City of Cumberland and the Cass County Sheriff's Office during the course of our investigation.



ROB SAND
Auditor of State

June 6, 2023

City of Cumberland

Investigative Summary

Background Information

The City of Cumberland (City) is located in Cass County and has a population of approximately 250. The City employs a City Clerk who is responsible for the business operations of the City. Grace Thomsen began employment with the City as the Deputy City Clerk on January 8, 2013 and became City Clerk December 1, 2013. She held the position of City Clerk until her resignation effective June 9, 2021. As City Clerk, Ms. Thomsen was responsible for:

- Receipts – opening mail, collecting receipts, posting all collections to the accounting records, and preparing and making bank deposits;
- Disbursements – making certain purchases, receiving certain goods and services, presenting proposed disbursements to the City Council for approval, maintaining supporting documentation, preparing, signing, and distributing checks, and posting to the accounting records;
- Payroll – calculating payroll amounts, preparing, signing, and distributing checks, posting payments to the accounting records, and filing required payroll reports;
- Utility billings – preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and accounting records, and preparing and making bank deposits;
- Inventory – making certain purchases, receiving certain goods, maintaining an inventory listing, and reconciling purchases to inventory on-hand;
- Bank accounts – receiving and reconciling monthly bank statements to accounting records; and
- Reporting – preparing City Council meeting minutes and financial reports, including monthly City Clerk reports and the Annual Financial Reports.

According to City officials, normal hours at City Hall were from 9:00 a.m. to 12:00 p.m. and 1:00 p.m. to 4:00 p.m. Monday through Thursday. Although timesheets and/or calendars were maintained by City employees, they were not provided to an independent party for review and approval prior to issuance of payroll. Subsequent to Ms. Thomsen's resignation, the City Clerk began providing a detailed report for employee payroll, as well as the corresponding timesheets.

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 Cass County and remitted to the City. The City receives payments from the State and County electronically. Revenue is also received from customers for water and sewer services. Utility payments and other payments are collected through the mail, in person, or in the collection box at City Hall. Ms. Thomsen did not consistently prepare receipts for collections or record the collections on an initial receipts listing.

In addition, the City receives rental income from the Community Center; and, beginning in the fall of 2019, the City began operating and receiving revenue from the bar within the Community Center. The City also receives insurance payments for providing ambulance services. Insurance billings are processed by a third-party billing company.

All City disbursements are to be made by check. In addition, the City maintained a Walmart Community Card for the purchase of various supplies for City operations and the Community Center. All disbursements are required to be supported by invoices or other documentation obtained by or submitted to the City Clerk. Each month, the City Clerk prepares a listing of bills to be paid and provides 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 also given to the Mayor to be countersigned. According to the City officials we spoke with, the bills were approved after payment had been made. Subsequent to Ms. Thomsen's resignation, the City Clerk began presenting the bills to the City Council prior to issuing the checks to vendors.

In addition, although a petty cash or change fund was maintained at City Hall, adequate supporting documentation was not available to determine how the fund was used during Ms. Thomsen's employment with the City. Subsequent to Ms. Thomsen's resignation, the petty cash bag was secured, and the fund was not used.

The City established a bank account which is used for all City operations. The monthly bank statements are mailed directly to City Hall and opened by the City Clerk. Bank reconciliations were performed during Ms. Thomsen's time as City Clerk; however, according to a City official we spoke with, Ms. Thomsen stated the bank reconciliations would always have a variance and could never be fully reconciled.

According to City officials we spoke with, a designated City Council member reviewed the monthly statements, related images of redeemed checks, and the bank reconciliations and financial reports prepared by Ms. Thomsen; however, the review was based on the manual information provided by Ms. Thomsen and did not serve as an independent reconciliation of the activity in the bank account.

According to City officials we spoke with, City Council members and members of the City's Fire Department began asking questions about the City's finances in early 2021. Shortly thereafter, on March 9, 2021, Ms. Thomsen submitted her resignation with an effective date of June 17, 2021. The City Council hired a Deputy City Clerk in April 2021 with the intention Ms. Thomsen would provide training prior to her departure to allow the Deputy City Clerk to assume the role of City Clerk in June.

While working through the bank reconciliation at the end of May 2021, the Deputy City Clerk began questioning the resulting variance and other financial discrepancies. As a result, the Deputy City Clerk spoke with a representative of the City's accounting software vendor who confirmed there were some irregularities in the City's accounting records. The Deputy City Clerk and the software representative communicated their concerns to the City Council who in turn began asking specific questions of Ms. Thomsen. Subsequently, during a conversation with the Mayor, Ms. Thomsen admitted to taking \$2,000.00 "to feed her family." Ms. Thomsen resigned immediately, effective June 9, 2021.

As a result of the concerns identified, the City Council approved hiring the Office of Auditor of State to review the City's operations. We performed the procedures detailed in the Auditor of State's Report for the period January 1, 2014 through June 30, 2021.

Detailed Findings

The procedures performed identified \$58,532.27 of improper disbursements, \$30,214.56 of undeposited collections, and \$3,308.60 of unsupported disbursements for the period January 1, 2014 through June 30, 2021. The improper disbursements identified include:

- \$26,877.58 of penalties and interest issued to the Internal Revenue Service, IPERS, Department of Revenue, and Wellmark Blue Cross Blue Shield,
- \$18,837.17 of unauthorized payroll, related payroll costs, and reimbursements issued to Ms. Thomsen,
- \$10,207.80 of unauthorized payroll, related payroll costs, and reimbursements issued to City officials and other City employees,
- \$1,637.86 of late fees and interest to other vendors, and
- \$971.86 of improper credit card purchases and vendor disbursements.

The \$30,214.56 of undeposited collections include \$28,334.56 of undeposited, uncollected, and/or unbilled utility charges and fees, \$1,180.00 of undeposited miscellaneous collections related to the City's Community Center, and \$700.00 of cash withheld from deposits.

The \$3,308.60 of unsupported disbursements identified includes payroll and reimbursements issued to Ms. Thomsen and other City employees and other vendor disbursements.

We were unable to determine if additional undeposited, uncollected, and/or unbilled utility transactions existed or if additional amounts were improperly disbursed because adequate documentation was not available. All findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

We conducted an interview with Ms. Thomsen and a representative of the Cass County Sheriff's Office on December 12, 2022 to obtain an understanding of her job duties and explanations for certain transactions. A subsequent attempt to interview Ms. Thomsen to obtain additional information was requested; however, the request was denied. The information Ms. Thomsen provided is described in the following sections of the report.

IMPROPER AND UNSUPPORTED DISBURSEMENTS

As previously stated, all City disbursements are to be made by check. In addition, the City maintained a Walmart Community Card for the purchase of various supplies for City Hall and the Community Center. We scanned all disbursements and redeemed checks from the City's bank account from July 1, 2015 through June 30, 2021 to determine propriety. In addition, we reviewed all purchases made on the City's Walmart Community Card for the period January 1, 2014 through June 30, 2021.

Using the supporting documentation available from the City's records; information obtained from selected vendors; internet searches; the vendor, the frequency and amount of the payments; discussions with City officials; 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 City. Disbursements were classified as unsupported if appropriate documentation was not available or it was not possible to determine if the disbursement was related to City operations or was personal in nature. Other disbursements were classified as reasonable if it appeared they were for City operations based on available supporting documentation, the vendor, frequency and amount of the payments, and/or discussions with City officials.

The improper and unsupported disbursements identified in the City's bank account and the improper and unsupported charges to the City's Walmart Community Card are explained in detail in the following paragraphs.

Payroll Checks Issued to Grace Thomsen

As previously stated, Ms. Thomsen began employment with the City on January 8, 2013. Ms. Thomsen and other City employees were to be paid monthly, in accordance with the City's ordinances, based on an authorized hourly pay rate and the number of hours worked. Beginning November 2015, Ms. Thomsen began issuing payroll checks to all City employees bi-weekly. However, although Ms. Thomsen requested the pay period change at the November 10, 2015 City Council meeting, the City Council did not take action to approve the request. However, payroll continued to be prepared and issued bi-weekly.

As previously stated, according to City officials, hours at City Hall were from 9:00 a.m. to 12:00 p.m. and 1:00 p.m. to 4:00 p.m. Monday through Thursday. According to City officials, Ms. Thomsen was to work the same number of hours during COVID when the office was closed. In addition to her regular duties, Ms. Thomsen was considered a full-time employee (over 30 hours) and allowed to accrue vacation

and sick leave. According to City officials, Ms. Thomsen was also paid for her time to attend City Council meetings and for traveling to and attending training events and conferences.

The City’s Employee Handbook states “All employees shall be compensated for their time as noted on time sheets. Time may include regular business hours, meetings, overtime, and any other time approved by the City Council. Wages and pay periods are set by Resolution, By-Laws, or Contract.”

The City Council approved payroll resolutions for City employees. **Table 1** summarizes Ms. Thomsen’s approved hourly rate and weekly hours based on the available approved resolutions.

Table 1

Date of City Council Approval	Approved Hours	Approved Hourly Pay Rate
12/10/13	31*	\$10.00
02/10/15	31*	13.00
12/08/15	32 – extra hours if needed	13.00
12/19/16	32	15.00
12/10/19	32 – extra hours if needed	17.00
01/12/21	32 – extra hours if needed	17.00

* - Resolutions were not available so relied on City Council meeting minutes.

The **Table** shows Ms. Thomsen was approved to work 31 or 32 hours per week with “extra hours if needed.” Because “extra hours if needed” was not defined, we discussed the expectations with Council members and the Mayor. According to statements made by the Council members and Mayor, Ms. Thomsen did not need Council approval prior to working additional hours; however, the Clerk’s position is not a 40-hour week job and additional time to attend training, conferences, and meetings would be expected. In addition, Council members we spoke with stated additional time around the budget process would be reasonable.

Since Ms. Thomsen was an hourly employee, she prepared a calendar each pay period documenting the hours she spent at City Hall, attending City Council meetings, and attending training. City officials could not locate calendars for several pay periods, including most of calendar years 2019 and 2020. Because payroll checks are issued bi-weekly, we used the calendars prepared to ensure the appropriate number of days were included in each pay period. However, the calendar’s prepared were not reviewed and approved by an independent party or Council members.

While reviewing the calendars provided, we identified the following:

- There were instances where the calendar was not properly footed, resulting in an incorrect number of hours being paid.
- Ms. Thomsen was inconsistent on whether she allotted seven or eight hours for holiday pay.
- Ms. Thomsen paid herself separately for hours she worked at the Community Center bar.
- Ms. Thomsen would record time for traveling and attending training and conferences. As a result, we obtained confirmation from the Iowa Municipal Finance Officers’ Association that Ms. Thomsen attended training and conferences. In instances, where she attended a conference or training event, we increased the expected work hours to eight per day.

Using the weekly hours approved by the City Council, we recalculated Ms. Thomsen’s approved hours for each pay period and compared the hours recorded by Ms. Thomsen in the City’s accounting system

as shown on **Exhibit B**. As illustrated by the **Exhibit**, we identified excess gross wages issued to Ms. Thomsen totaling \$14,884.00 due to working hours above those approved by the City Council.

During our interview with Ms. Thomsen, we asked about the number of hours worked as recorded on the calendars she prepared. Ms. Thomsen stated additional hours worked were not discussed with the City Council; however, she didn't need to work additional hours very often – maybe two or three times a year. In addition, Ms. Thomsen stated she never worked more than 40 hours in a week.

Because the Mayor and City Council members we spoke with stated there would be some additional hours around budget time but could not provide any other times additional hours would be needed and Ms. Thomsen stated she didn't need to work additional hours very often – maybe two or three times a year, the \$14,884.00 is considered improper disbursements.

In addition to the excess gross payroll amounts identified in **Exhibit B**, the City incurred the employer's share of FICA and IPERS contributions for the excess payroll, which total \$1,138.62 and \$1,393.55, respectively. The \$2,532.17 of related FICA and IPERS contributions paid by the City are also included in **Exhibit A** as improper disbursements.

We also identified the following reimbursements included in her payroll checks:

- Three reimbursements for use of a cell phone totaling \$270.00. However, the reimbursement was not approved by the City Council.
- Inclusion of an additional \$686.74 on paycheck dated March 1, 2021 with no supporting documentation or additional explanation.
- Issuance of a check dated April 30, 2021 totaling \$201.09 through the City's payroll system with no supporting documentation or additional explanation. No payroll taxes or other contributions were calculated on this amount.

As previously stated, Ms. Thomsen was entitled to accrue sick leave and vacation in accordance with City policies. According to the Employee Handbook, employees accrued vacation based on their years of service. Since Ms. Thomsen had been employed over 4 years, she accrued 21 days of vacation each year. In addition, she could accrue up to 120 days of sick leave. The Handbook did not include if there was a cap on the number of days an employee could accrue or bank.

We attempted to compare Ms. Thomsen's accrual and usage to authorized leave in accordance with the City's Employee Handbook; however, because several timesheets were missing and because Ms. Thomsen did not break out leave hours from regular hours, we were unable to determine compliance with the Employee Handbook. In addition, the City was unable to find any records tracking the number of days accrued, used and the remaining balance. As a result, we cannot determine if Ms. Thomsen paid out vacation above her balance or was owed a payout at the time of her resignation.

Reimbursement Checks Issued to Grace Thomsen

According to City officials, Ms. Thomsen was entitled to reimbursement for any expenses or mileage she incurred on behalf of the City. Except for travel costs related to training, they stated there would be no significant expenses Ms. Thomsen would have incurred on behalf of the City. Travel was not consistently approved by the City Council prior to the expense being incurred.

During our review of the available City's bank statements, we identified 20 checks totaling \$3,719.91 issued to Ms. Thomsen for reimbursement of mileage, lodging related to attending training, and purchases of supplies for City operations. We reviewed the available supporting documentation to determine the propriety of the reimbursements identified. In addition, we confirmed Ms. Thomsen's attendance at various conferences and trainings with the Iowa Municipal Finance Officers' Association

for the dates which attendance records were available. We also recalculated the reimbursements for mileage to determine whether a reasonable number of miles and the correct mileage rates were used.

As a result of our testing, we identified the following improper disbursements:

- Check number 16622 dated July 17, 2015 for \$699.05. We identified \$113.17 for an additional night's lodging beyond what was required for the conference.
- Staff are allowed \$25.00 per day for meal allowance when attending conferences or training. We identified three events where Ms. Thomsen claimed meal allowances for three days when she attended one day of training for a total of \$50.00 per event and a combined total of \$150.00.

We also identified \$118.84 of reimbursements for which sufficient supporting documentation was not available to determine if the disbursements were related to City operations or personal in nature. The notations on the memo line of the checks indicated they were for "Mileage/Meals/SWICCA" and for the purchase of "C.Center Water Jugs."

Total disbursements of \$1,421.00 and \$118.84 are included in **Exhibit A** as improper and unsupported disbursements, respectively.

Unauthorized Payroll to City Officials

As previously stated, we scanned all disbursements and redeemed checks from the City's bank account for the period July 1, 2015 through June 30, 2021 to determine propriety. As part of that procedure, we reviewed the payroll issued to City Officials for reasonableness and selected certain disbursements to compare to supporting documentation. A summary of each City official tested follows.

- We identified the Mayor received gross income of \$9,594.38 for hours worked at the Library.
- We determined the Mayor's annual salary was paid at a higher rate than authorized in December 2018 and June 2019, resulting in \$110.00 of improper salary and \$8.42 of related FICA incurred by the City.
- Of the 11 payments issued to a City Council member, we tested 9 and determined he was paid both his City Council member salary of \$20.00 per meeting but also an hourly rate for helping the maintenance man and for bartending at the Community Center. For the payments tested, the City Council member received gross income of \$242.00 for hours worked with the maintenance man and \$224.00 for bartending. In addition, we were unable to locate supporting documentation for 3 of the payments tested. However, based on the available information, the payments appeared reasonable.
- Of the 11 payments issued to another City Council member, we tested 3 and determined he was underpaid for City Council meetings attended in June 2018 due to the improper rate being used. The approved City Council salary is \$20.00 per meeting attended; however, in June 2018, the City Council member was compensated at \$10.00 per meeting, resulting in an underpayment of \$120.00.

Section 372.13(8) of the *Code of Iowa* states, in part, "...an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer's tenure in office...." As a result, the other compensation identified for the Mayor and a City Council member are considered to be improper disbursements.

The total improper disbursements of \$10,170.38 and the related FICA contribution of \$8.42 totaling \$10,178.80 are included in **Exhibit A**.

Excess Compensatory Time for Other City Employees

Although City employees are entitled to receive paid leave, including vacation, sick leave, and compensatory time, there was no formal method used to track the hours of leave earned and/or used by City employees. According to the City officials we spoke with, the public works employee maintained a notebook to monitor his compensatory time. However, City officials were not able to locate the notebook during our fieldwork. City officials further stated vacation and sick leave are now monitored through the City's payroll system.

We reviewed the vacation, sick leave, and compensatory time earned and used by City employees during the period of our investigation. As previously stated, employees are entitled to accrue sick leave and vacation in accordance with City policies. According to the Employee Handbook, employees accrued vacation based on their years of service. Since the public works employee had been employed over 4 years, he accrued 21 days of vacation each year. In addition, he could accrue up to 120 days of sick leave. The Handbook did not include if there was a cap on the number of days an employee could accrue or bank.

We attempted to compare his accrual and usage to authorized leave in accordance with the City's Employee Handbook; however, the City was unable to find any records tracking the number of days accrued, used and the remaining balance. As a result, we cannot determine if he was paid out vacation above his balance.

According to payroll resolutions, he received an annual salary but was to work 40 hours a week and entitled compensatory time. During our review of payroll records, we identified on December 31, 2020 he received compensatory time paid out totaling \$603.45 of gross wages and payroll related costs for the employer's share of FICA and IPERS, \$46.16 and \$56.97 respectfully. However, the City was unable to find any records tracking the number of hours earned, used, and remaining balance. As a result, we cannot determine if he was entitled to this compensatory time paid out; therefore, the compensatory time payout is an unsupported disbursement.

The total payroll associated with the use of compensatory time is \$706.58, which is included in **Exhibit A** as unsupported disbursements.

Reimbursements to Other City Employees

During our fieldwork, City officials we spoke with also expressed concerns regarding certain reimbursements issued to the City's public works employee. As a result, we also reviewed all non-payroll checks issued to him for the period July 1, 2015 through June 30, 2021.

We identified 13 non-payroll checks totaling \$1,773.08, which were issued to the City's public works employee. City officials were unable to locate supporting documentation for 12 of the reimbursements totaling \$1,654.90. For one reimbursement we determined the incorrect number of miles was used, resulting in an overpayment of \$29.00.

The \$29.00 overpayment and the \$1,654.93 for which support was not available are included in **Exhibit A** as improper and unsupported reimbursements, respectively.

Late Fees and Interest

Internal Revenue Service – Using transcripts obtained from the Internal Revenue Service (IRS), we determined the City's federal withholdings were consistently filed late or not filed during the period of our investigation. As a result, the City was assessed a total of \$25,274.16 of late fees, penalties, and interest assessed by the IRS. This amount is included in **Exhibit A** as improper disbursements.

IPERS – Using reports obtained from IPERS for the period January 1, 2014 through June 30, 2021, we determined the City paid \$912.34 of late fees and interest charges because required IPERS reports were

not filed and required contributions were not remitted in a timely manner. In addition, we determined, although Ms. Thomsen began employment with the City in January 2013, no IPERS contributions were made for her before October 2013. This amount is included in **Exhibit A** as improper disbursements.

Department of Revenue – The Iowa Department of Revenue does not provide transcripts and only provides statements at a cost to the City. As a result, we were unable to test the entire period of the investigation for State withholdings. However, based on screenshots from the City’s accounting system provided by City officials, we determined the City paid penalties and interest to the State totaling \$516.63 for two quarters in calendar year 2019 and two quarters in calendar year 2020. This amount is included in **Exhibit A** as improper disbursements.

Wellmark Blue Cross Blue Shield – We also reviewed the premium payments remitted to Wellmark Blue Cross Blue Shield for employee health and/or dental insurance. Using the billing statements for the period July 1, 2015 through June 30, 2021, we determined late fees were incurred consistently each month beginning with July 2018 due to untimely payment, with the City incurring a total of \$174.45. This amount is included in **Exhibit A** as improper disbursements.

Walmart Community Card

As previously stated, the City had a Walmart Community Card to purchase supplies for City operations; however, the City does not have a written credit card policy. While City officials were able to find many of the monthly statements for the period January 1, 2014 through June 30, 2021, we also requested monthly statements from the credit card company to ensure completeness. In addition, we obtained detailed purchase information from Walmart for the period April 22, 2014 through June 30, 2021.

We reviewed the activity on the City’s Walmart Community Card to determine if the purchases were necessary and reasonable for City operations or personal in nature. Purchases were considered improper if the type of item and/or the quantity purchased appeared to be personal in nature or was not reasonable for City operations. When specific purchase information from Walmart appeared consistent with City operations, based on the item, quantity and/or frequency of the purchase, they were classified as reasonable. When specific purchase information from Walmart was not available, the purchases were classified as unsupported.

We identified purchases totaling \$10,956.24 on the City’s Walmart Community Card. As a result of our testing, we identified \$564.04 of improper disbursements which included \$397.85 of sales tax, \$149.83 of personal purchases, including flea and tick treatment for small dogs, Microsoft Office Personal, laundry detergent, and various candy items, and \$16.36 of interest and late fees.

In addition, we identified \$735.24 of unsupported disbursements consisting of items for which City officials could not determine whether the purchase was for the City and/or supporting documentation was not sufficient to determine whether the purchase was for City operations.

The \$564.04 of improper purchases and \$735.24 of unsupported purchases are included in **Exhibit A**.

Other Vendor Payments

As previously stated, we scanned all disbursements and redeemed checks from the City’s bank account for the period July 1, 2015 through June 30, 2021. Also as previously stated, we determined the propriety of disbursements based on available supporting documentation; the type or the quantity of items purchased; discussions with City officials; and the vendor, frequency, and amount of payments. Purchases for which we were unable to determine the propriety were classified as unsupported.

As a result of our testing, we identified a \$200.00 check issued to Hy-Vee Atlantic on November 19, 2015 for which no supporting receipts or invoices could be located. However, according to the check stub, the amount was to be redeposited to the City’s bank account. Based on a review of the deposit slips, we

did not see any evidence where this amount was redeposited. Therefore, the \$200.00 has been classified as an improper disbursement.

In addition, we identified check number 18476 for \$93.01 issued to “Middle of Nowhere” on January 14, 2020. “Middle of Nowhere” is a restaurant bar in Cumberland. According to a handwritten receipt, the check was for “Emergency Bar Supplies.” Additional supporting documentation was not available. Because the Community Center has a bar, bar purchases would be reasonable for the City.

We also determined the City paid sales tax on purchases made from Emergency Medical Products totaling \$165.20 in 2018 and \$42.62 in 2021.

A total of \$407.82, including the \$200.00 Hy-Vee payment and the \$207.82 of sales tax, and the \$93.01 payment issued to Middle of Nowhere are included in **Exhibit A** as improper and unsupported disbursements, respectively.

Late Fees and Finance Charges

At the beginning of fieldwork, City officials expressed concern regarding late payment of obligations to various vendors and requested we review certain vendors to determine whether late fees and/or finance charges were incurred. As a result of our review, we identified the following:

- The City held a loan with CNH Capital for the period June 7, 2017 through June 7, 2021. As of August 5, 2021, the loan still had a remaining balance. We identified \$726.51 in late fees assessed to the account between November 2017 and July 2020.
- The City held a loan with Houghton State Bank for the period August 17, 2017 through October 14, 2021. We identified \$678.16 in late fees assessed to the account between April 2019 and December 2020.
- For the period July 2015 through June 2021, we identified 49 instances where finance charges were incurred at 21st Century Coop totaling \$187.54. Based on the reconciliation of the invoices to the payments, the finance charges were included in the payments remitted by the City.
- For Feld Fire, we identified 18 instances where finance charges were incurred totaling \$189.80. Based on the reconciliation of the invoices to the payments, it appears these finance charges were included in the payments remitted by the City. However, using the invoices and payments available, we calculated an outstanding balance owed to Feld Fire of \$150.15, comprised of the finance charges incurred on May 31, 2019 for \$5.29, June 20, 2020 for \$71.24, and July 29, 2020 for \$73.62. It is unclear whether Feld Fire waived these fees. However, because they were not paid by the City, we will not include them in the improper amount. This leaves a remainder of \$39.65.
- In September 2019, \$5.25 of late fees were remitted to Black Hills Energy for nonpayment of the July and August 2019 monthly bills.
- For Akin Building Center, we determined 14 of the 25 invoices were outstanding for more than 45 days before payment was issued. Total finance charges assessed were \$28.62, with \$27.87 being forgiven and \$0.75 being paid by the City.

In addition, we determined 7 of the 10 invoices for Schildberg Construction and 12 of the 79 invoices for Cappel’s Ace Hardware were outstanding for more than 45 days before payment was issued. However, neither vendor assessed any finance charges.

As a result, we identified \$1,637.86 of late fees and finance charges to other vendors, which is included in **Exhibit A** as improper disbursements.

UNDEPOSITED, UNCOLLECTED, AND/OR UNBILLED UTILITY CHARGES

As previously stated, Ms. Thomsen was responsible for preparing utility billings, receiving the related payments, depositing collections, and maintaining the City's utility system during her employment. She did not prepare utility reconciliations. Utility billings were based upon meter readings which were manually taken by an independent individual hired for that purpose. The manual readings were entered by the former City Clerk into the City's utility system, which calculated the water and sewer charges to be billed based on the monthly usage and the rates entered into the City's utility system by the software vendor. An independent review of the utility rates is not performed to ensure the rates agree with those approved by the City Council via City Ordinance.

We obtained an electronic copy of the utility account history for all water and sewer customers for the period July 1, 2014 through June 30, 2021. The City implemented the utility software in November 2014 and established a beginning balance for each account based on the outstanding balance as of June 30, 2014. A representative of the software vendor provided a report documenting the beginning balances loaded into the City's utility system during installation. The report provided also documented numerous other entries posted to customer accounts, primarily dated November 9, 2015. There was no supporting documentation available for these entries.

Based on a review of the customer histories provided, we determined all transactions recorded for the period September 2014 through October 2015 were not included. Although meter readings were available for that time period, we determined it would not be effective to recalculate the billings as complete payment information was not available.

Based on observation of the available receipt books, we determined billings and payments were processed. Using the available customer histories, we compared the payments posted to customer accounts to the payments documented on the bank deposit slips to determine if all recorded collections were deposited. As a result of that comparison, we identified certain payments which could not be traced to deposit.

In addition, at the beginning of fieldwork, a representative of the City's software vendor provided documentation of concerns she had identified with Ms. Thomsen's utility account, including several deleted payments. During our testing, we determined an Audit Trail report was available for all customer utility accounts through the City's utility software. The Audit Trail documents all utility transactions posted to a customer's account, including billings, payments, adjustments, deletions, and other miscellaneous activity. See **Appendix 1** for an example of an Audit Trail. As illustrated by the **Appendix**, certain transactions were deleted from the customer's account.

Because the November 9, 2015 transactions did not have supporting documentation, not all payments could be traced to deposit, and deleted transactions had been identified, we obtained an Audit Trail report for selected customer accounts, including the account held in the name of Ms. Thomsen.

Grace Thomsen's Utility Account

As previously stated, we obtained the Audit Trail for the utility account held by Ms. Thomsen and identified several deleted payments. As a result, we reviewed the detailed activity on the account for the period July 1, 2014 through June 30, 2021.

For the period of our investigation, we calculated total billings of \$7,065.45; however, the invoices included in the customer history provided for Ms. Thomsen's account totaled \$4,740.25, a difference of \$2,325.20. Although no account history could be located for the period September 2014 through October 2015, the account should have been charged the base rates for water and sewer service, at a minimum. In addition, because no payments were made on the account, a late fee should have been charged for each month. We also identified the following concerns:

- Between July 1, 2014 and September 23, 2017, 36 invoices initially posted to Ms. Thomsen’s account were renamed to either “Past Customer” or “Customer,” which caused those invoices to be excluded from the customer history for Ms. Thomsen’s account. However, because the adjustments affected the account, they were included on the Audit Trail for Ms. Thomsen’s utility account.
- We identified 21 months for which no invoices could be located between March 2016 and December 2020.
- We identified billing errors for ten months, including incorrect gallons used, manual adjustments to the billed amount, and billing of only the landfill fee.
- We identified several months for which Ms. Thomsen’s account was not included on the meter reading sheets provided to the individual hired to obtain current meter readings.

We also determined late fees were not consistently applied to Ms. Thomsen’s account. As appropriate, we included the late fee in our calculations to determine the amount which should have been billed.

Of the \$4,740.25 billed during the period of our investigation, we identified \$491.55 was deposited in the City’s bank account. For a majority of the period of our review, no payments were posted to the account. In addition, we identified five payments created on December 17, 2018, which were all deleted from the account. We also identified a credit memo was posted on January 27, 2021 totaling \$1,800.00, which reduced the outstanding account balance by the amount of the deleted payments.

We also identified two additional credit memos totaling \$1,522.13 and \$906.57 dated November 9, 2015 and August 23, 2016, respectively, which reduced the outstanding balance on Ms. Thomsen’s account. We were unable to determine the basis for the credit memo amounts as sufficient supporting documentation was not available.

As a result of our testing, we identified \$4,248.70 of undeposited and/or uncollected utility charges and \$2,325.20 of unbilled utility charges on Ms. Thomsen’s account which are included in **Exhibit A** as undeposited collections. During our interview with Ms. Thomsen, she stated she was not paying her utility bill during her employment with the City.

Selected Customers’ Utility Accounts

As previously stated, we determined an Audit Trail report was available for all customer utility accounts through the City’s utility software. The Audit Trail documents all utility transactions posted to a customer’s account, including billings, payments, adjustments, deletions, and other miscellaneous activity.

We initially requested the Audit Trail for each customer with a credit memo posted to their account on November 9, 2015 and determined select customers also had deleted payments on their accounts. The Audit Trail also showed the credit memos were often increased subsequent to their initial creation. We compared the credit memo amounts and the credit memo increases to the total amount of the deleted payments and determined they often agreed.

As illustrated by **Appendix 1**, we were able to identify which deposits and payments were posted to and subsequently deleted from customer accounts. When a customer remits payment, the payment is initially recorded in “Undeposited Funds” until a deposit is created. After a deposit is created, the payment is removed from “Undeposited Funds” and posted to the appropriate customer’s account. If a deposit is deleted, the payment reverts to “Undeposited Funds.”

For the example included in **Appendix 1**, five payments for the selected customer were included in a deposit created August 27, 2019 which was subsequently deleted August 29, 2019. These were all cash payments which could not be traced to deposit in the City’s bank account. Because the deleted

payments were all cash payments, we also requested an Audit Trail of all cash payments to determine if there were additional customers not previously identified who had deleted payments on their utility accounts.

A review of the Audit Trails for several of the selected customer accounts showed there were numerous instances where the same payment was repeatedly included in a deposit which was subsequently deleted. Because a posted payment reduced the outstanding account balance, deleted payments needed to be reposted to ensure the accurate outstanding balance was provided to the customer.

As a result of our procedures, we identified 42 utility customer accounts which had credit memo(s), deleted payments, or a combination of the two. The 42 utility accounts are listed in **Exhibit C**. For the 42 utility accounts tested, we determined \$13,695.20 of payments initially posted to the customer account were subsequently deleted, along with the corresponding deposit. However, we also determined not all payments which could not be traced to deposit were subsequently deleted. During the period of our investigation, we identified \$17,993.57 of payments collected from customers which could not be traced to deposit. In certain instances, we were able to identify a cash receipt provided to the customer on the date of payment to verify collection from the customer.

During our interview with Ms. Thomsen, we asked about the number of deleted payments which were identified. Ms. Thomsen stated "I don't know that I feel comfortable answering honestly. I mean, I'm sure that in your experience you can probably assume."

We also identified an additional \$8,172.72 of credit memos posted to the selected customer accounts for which sufficient supporting documentation was not maintained. As a result, we are unable to determine whether these credit memos represent additional undeposited collections.

During our analysis of the 42 selected customer accounts, we also identified \$1,762.09 of utility services provided which were not billed and \$2,005.00 of late fees which were not properly assessed. We determined late fees were not consistently applied to customer accounts.

The \$17,993.57 of undeposited and/or uncollected utility charges identified for the 42 utility accounts tested as well as the \$1,762.09 of unbilled utility services identified are included in **Exhibit A** as undeposited collections. In addition, the \$2,005.00 of unbilled late fees are included in **Exhibit A** as undeposited collections.

MISCELLANEOUS RECEIPTS

As previously stated, the City receives revenue from Community Center rent and collections at the bar. However, during the period of our investigation, no calendars, schedules, or other supporting documentation were available to document the usage of the Community Center. As a result, we were unable to determine the total collections which should have been deposited. Based on a review of the receipt books available in the City's records, we identified eight receipts for payments issued for Community Center rent. Of those, we were unable to trace four payments totaling \$880.00 to either a recording in the City's accounting system or deposit in the City's bank account.

We also identified two deposits labeled "Wedding" for April 2021 which were not recorded as rental income totaling \$451.00. In addition, we identified two payments totaling \$300.00 which were recorded in the City's accounting system but could not be traced to deposit.

As a result, we identified a total of \$1,180.00 of undeposited collections which has been included in **Exhibit A** as an undeposited collection.

In addition, we identified sporadic deposits into the City's bank account which were labeled as "bar revenue." There were also collections recorded in the City's accounting system which indicated they were for bar revenue. However, no supporting documentation was maintained for the number of drinks

sold or the prices at which they were sold. As a result, we are unable to determine if the deposits identified were made intact.

We attempted to compare total bar revenue from the fall of 2019 when the City assumed operations of the bar through fiscal year 2022 to determine if undeposited collections could be identified. Although total bar revenue in fiscal year 2022 was significantly higher than the preceding fiscal years, we are unable to determine if this is an indicator of undeposited collections in previous fiscal years because Community Center usage is variable, sufficient supporting documentation was not maintained, and the pandemic occurred during the period of our investigation.

During our analysis, we identified two instances where cash was withheld from the corresponding deposit. On December 31, 2019, \$500.00 of cash was withheld from deposit and on February 1, 2021, \$200.00 of cash was withheld from deposit totaling \$700.00 of cash not properly deposited in the City's bank account. However, adequate supporting documentation was not available to determine the subsequent disposition of the cash withheld. The \$700.00 is included in **Exhibit A** as an undeposited collection.

OTHER ADMINISTRATIVE ISSUES

During our testing and fieldwork, we identified additional items discussed in detail in the following paragraphs.

City Council Meeting Minutes – We reviewed the City Council meeting minutes for the period January 10, 2012 through December 14, 2021 and identified the following concerns:

- The meeting minutes provided were not signed and there was no evidence the minutes from the previous City Council meeting were approved at the following meeting.
- City officials were unable to locate seven City Resolutions related to payroll, including hourly rate increases for Ms. Thomsen and expectations of hours.
- There was no evidence of the City Council's approval of the claims to be paid each month. As previously stated, according to City officials we spoke with, City obligations were paid prior to approval and supporting documentation was not reviewed by the City Council.
- The City Council entered a closed session on December 8, 2020 and May 8, 2018 but did not cite the section of Chapter 21 of the *Code of Iowa* allowing the closed session, as required.
- The \$2.00 landfill fee was approved through motion of the City Council rather than by City Ordinance, as required by section 384.84 of the *Code*.
- The City Council approved a \$250.00 donation to the Cass County Freedom Rock in April 2015 but did not document the public purpose served by the donation. In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although 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.
- Meeting minutes for November 2014 and November 2020 were not available and the meeting minutes provided for March 2015 were incomplete.

Community Center Inventory – In the fall of 2019, the City assumed operations of the bar within the City's Community Center. At the beginning of our fieldwork, a concern was expressed regarding the reasonableness of alcohol purchases made by the City. However, prior to September 2021, inventory

records were not maintained for the beer and liquor at the Community Center. In addition, as previously stated, event calendars were not maintained for the Community Center. Due to the lack of sufficient inventory records, event calendars, and the incompleteness of the receipts readily available, we are unable to determine whether excess purchases or personal purchases of beer and liquor were made during the period of our investigation. Using the information available, we identified \$17,063.85 of beer and liquor purchases.

Oversight – City officials have a fiduciary responsibility to exercise authority over its funds, efficiently and effectively achieve its mission, provide oversight of the City’s operations and maintain the public trust. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity. Based on our review, we determined City officials did not provide sufficient oversight of the City’s financial transactions and did not:

- Require and review utility reconciliations.
- Properly review payroll supporting documentation prior to issuance.
- Ensure required payroll withholdings and tax forms were remitted in a timely manner.
- Require and maintain original, itemized receipts for all disbursements, including employee reimbursements, and review the supporting documentation to ensure the public purpose of the disbursements.
- Compare the bill listings to supporting documentation and checks.
- Properly review variances identified on the bank reconciliations and resolve them in a timely manner.

A previously released an “Agreed-upon Procedures Report” for the period July 1, 2016 through June 30, 2017 included recommendations for improvements regarding the fiduciary areas:

- Segregation of duties related to the handling of cash, receipts, disbursements, payroll, utilities and financial reporting.
- Bank reconciliations were prepared; however, there were variances between the bank balance and the general ledger balance which were not resolved. The reconciliations were not reviewed by an independent person.
- A reconciliation of utility billings, collections and delinquent accounts were not prepared.
- Supporting documentation was not maintained for the disbursements tested and had to be requested from the vendor.

Had City officials developed and implemented policies and procedures to segregate duties, review bank reconciliations, required and reviewed utility reconciliations, and maintained supporting documentation, City officials may have identified undeposited utility collections and improper disbursements earlier. In addition, the implementation of controls may have reduced the opportunity for the City’s funds to be improperly disbursed or not properly deposited.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the City of Cumberland to perform bank reconciliations and process receipts, disbursements, and payroll. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be 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 internal controls.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible. The former City Clerk had control over each of the following areas:
- (1) Receipts – opening mail, collecting receipts, posting all collections to the accounting records, and preparing and making bank deposits;
 - (2) Disbursements – making certain purchases, receiving certain goods and services, presenting proposed disbursements to the City Council for approval, maintaining supporting documentation, preparing, signing, and distributing checks, and posting to the accounting records;
 - (3) Payroll – calculating payroll amounts, preparing, signing, and distributing checks, posting payments to the accounting records, and filing required payroll reports;
 - (4) Utility billings – preparing and mailing billings, receipting and depositing collections, posting collections to customer accounts and accounting records, and preparing and making bank deposits;
 - (5) Inventory – making certain purchases, receiving certain goods, maintaining an inventory listing, and reconciling purchases to inventory on-hand;
 - (6) Bank accounts – receiving and reconciling monthly bank statements to accounting records; and
 - (7) Reporting – preparing City Council meeting minutes and financial reports, including monthly City Clerk reports and the Annual Financial Reports.

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 City Council members. In addition, the Mayor and City Council members should review financial records, perform reconciliations, and examine supporting documentation for accounting records on a periodic basis.

Also, bank statements should be delivered to an official who does not collect or disburse City funds. The bank statements should be reviewed in a timely manner for unusual activity. Bank reconciliations should be performed monthly and should be reviewed by someone independent of other financial responsibilities. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

- B. Bank Reconciliations – While the City's general checking account was reconciled, variances were not reviewed and resolved in a timely manner. In addition, the numerical sequence of checks was not monitored. During our fieldwork, we observed numerous blank checks and unredeemed checks in the City's records. The unredeemed checks were signed by the former City Clerk and the Mayor and there was no evidence the checks should have been voided.

Recommendation – Procedures should be established to ensure variances, if any, identified on the bank reconciliation are reviewed and resolved in a timely manner. Supporting documentation should be maintained detailing the resolution. In addition, the numerical

sequence of checks should be monitored to ensure vendor payments are properly redeemed and, if applicable, prepared checks are properly voided.

- C. Reconciliation of Utility Billings, Collections, and Delinquent Accounts – The former City Clerk had sole responsibility for preparing utility billings, collecting payments, and recording the payments in the accounting system. We determined reconciliations of utility billings, collections, and delinquent accounts were not required, prepared, or reviewed by the City Council. We also determined supporting documentation was not maintained for adjustments posted to customers' accounts.

In addition, we identified service or late fees were not consistently applied and accounts in arrears were not shut off.

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

In addition, City officials should ensure compliance with established policies regarding service or late fees and accounts in arrears, such as shut offs and liens.

- D. Payroll – City Hall hours for the time period reviewed were 9:00 a.m. to 12:00 p.m. and 1:00 p.m. to 4:00 p.m. Monday through Thursday during the former City Clerk's employment. In accordance with City Ordinance, City employees are to be paid monthly. During our review of payroll disbursements, we identified the following:

- (1) Although City employees maintained calendars documenting their hours worked, the calendars were not reviewed and approved prior to issuance of payroll. In addition, calendars could not be located in the City's records for several months, including most of calendar years 2019 and 2020.
- (2) Beginning in November 2015, the former City Clerk began issuing payroll checks bi-weekly. However, this change was not approved by the City Council.
- (3) Ms. Thomsen paid herself \$17,553.00 for working hours in excess of the number of hours expected.
- (4) FICA and IPERS contributions were not consistently calculated.
- (5) The Mayor and certain City Council members received compensation for City employment, including assisting at the Library, assisting public works, and bartending, which does not comply with section 372.13(8) of the *Code of Iowa*.
- (6) There was no formal method to track the hours of paid leave earned and/or used by City employees. As a result, the public works employee was able to use compensatory time at a higher rate than he was earning.
- (7) Required payroll reports, payroll withholdings, IPERS contributions, and insurance premiums were not remitted in a timely manner, resulting in significant late fees being assessed to the City.

Recommendation – City officials should implement procedures to ensure appropriate payroll records are maintained and issuance of payroll complies with established policies. City officials should also periodically review payroll records to ensure payroll is calculated properly. In addition, City officials should implement procedures to ensure the Mayor and/or City Council members do not receive compensation which does not comply with section 372.13(8) of the *Code of Iowa*.

In addition, a City official who is familiar with the City Clerk's actions should review and approve the City Clerk's timesheet for each pay period. The review and approval should be documented by the signature or initials of the reviewer and the date of approval and information from the timesheets should be periodically compared to the information recorded in the City's payroll system.

- E. Pre-numbered Receipts – Pre-numbered receipts were not issued on a consistent basis for check and/or cash payments received at City Hall. In addition, there was no independent reconciliation of the payments recorded on the receipts to the postings in the City's accounting system.

Recommendation – Pre-numbered receipts should be issued for all check and/or cash payments received at City Hall. The numerical sequence of the receipts should be monitored, and an independent reconciliation of the payments received to the payments posted to the City's accounting system should be performed. In addition, an initial listing should be prepared for all payments received through the mail, which should also be reconciled to the City's accounting system by an independent of collections.

- F. Disbursements – During our review of the City's disbursements, the following were identified:

- (1) Disbursements were not consistently supported by invoices or other documentation.
- (2) Not all disbursements were approved by the City Council.
- (3) During the period of our investigation, disbursements were not approved by the City Council prior to payment.
- (4) Not all disbursements were remitted in a timely manner, resulting in late fees being assessed to the City.
- (5) The City does not have a written credit card policy.
- (6) The public purpose for a donation issued to Cass County Freedom Rock was not documented in accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit.

Recommendation – All City 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. To strengthen internal control, each check should be prepared and signed by one person and detailed supporting vouchers and invoices should be provided, along with the check, to an independent individual for review and countersignature.

City officials should develop and implement a written credit card policy addressing allowability of purchases, credit card limits, authorized users, and required supporting documentation. In addition, the written policy should address the disciplinary actions to be taken, if any, regarding personal use.

- G. Petty Cash/Change Fund – Sufficient records to support a petty cash/change fund were not available. As a result, we were unable to determine if a petty cash/change fund had been established. If the cash box was used as a petty cash, we were unable to determine what it had been used for, and/or if cash was withheld from deposits and instead placed in the petty cash.

Recommendation – If City officials determine it is appropriate to have a petty cash/change fund, procedures should be implemented which ensure it is maintained on an imprest basis with all replenishments made from the City's bank account rather than from cash withheld from deposit.

Petty cash should be used to pay for small, miscellaneous expenses and a ledger should be maintained to record amounts added to or subtracted from the balance. All expenses should be recorded for exact amounts and supporting documentation should be included. Written procedures should be established which specify what types of costs should be paid using petty cash, a maximum amount for individual transactions, a reconciliation process, and authorized individuals.

- H. Community Center – During the period of our investigation, no event calendars, schedules, or other supporting documentation were available to document the usage of the Community Center or the bar within the Community Center. As a result, we are unable to determine whether all collections were deposited timely and intact.

In addition, inventory records were not maintained for the beer and liquor at the Community Center.

Recommendation – City officials should implement procedures to ensure usage of the Community Center and the bar within the Community Center are properly documented to allow for reconciliation of collections to postings in the City’s accounting system and deposits to the City’s bank account. In addition, perpetual inventory records should be maintained for the beer and liquor on-hand at the Community Center. All purchases and sales should be periodically reconciled to the inventory records by an independent party.

- I. City Council Minutes – Chapter 21 of the *Code of Iowa* requires minutes to be kept for all meetings of governmental bodies. During our review of minutes, we determined:

- (1) Minutes could not be located for all meetings.
- (2) Minutes were not always signed by the City Clerk as required by section 380.7(4) of the *Code*. In addition, they did not include the signature of the Mayor or a City Council member to authenticate the record.
- (3) City officials were unable to locate all payroll resolutions approved by the City Council.
- (4) On two occasions, the City Council entered closed session without citing the section of Chapter 21 of the *Code* allowing the closed session.
- (5) The \$2.00 landfill fee was approved through motion of the City Council rather than by City Ordinance, as required by section 384.84 of the *Code*.
- (6) The City Council approved a donation to a non-profit organization but did not document the public purpose served by the donation.

Recommendation – City officials should implement procedures to ensure all actions taken by the Council are properly documented and the City Clerk and the Mayor or a City Council member sign all meeting minutes. In addition, City officials should ensure compliance with all applicable sections of the *Code of Iowa* and ensure all disbursements serve a public purpose in compliance with Article III, Section 31 of the Iowa Constitution and as defined in an Attorney General’s opinion dated April 25, 1979.

- J. Oversight by City Officials – City officials have a fiduciary responsibility to provide oversight of the City’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity.

An “Agreed-upon Procedures Report” for the period July 1, 2016 through June 30, 2017 included recommendations for improvements regarding the City officials’ fiduciary responsibility. As a result, City officials were aware controls needed to be improved.

Based on our observations and the procedures we performed, we determined City officials failed to exercise proper fiduciary oversight. The lack of appropriate oversight and the failure to ensure implementation of adequate internal controls permitted an employee to exercise too much control over the financial operations of the City.

Recommendation – Oversight by City officials is essential and should be an ongoing effort. City officials should exercise due care and review all pertinent information. City officials should also ensure sufficient information is prepared and provided to them for making decisions and appropriate policies and procedures are adopted, implemented, and monitored to ensure compliance.

For example, bank statements should be delivered to an official who does not collect or disburse City funds. The bank statements should be reviewed in a timely manner for unusual activity. Bank reconciliations should be performed monthly and reviewed by someone independent of other financial responsibilities. In addition, utility reconciliations should be reviewed by City officials. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Exhibits

**Report on Special Investigation
Of the
City of Cumberland**

Report on Special Investigation
of the City of Cumberland

Summary of Findings
For the Period January 1, 2014 through June 30, 2021

Description	Exhibit / Table / Page Number	Improper	Unsupported	Total
Improper and unsupported disbursements:				
Checks issued to Grace Thomsen:				
Excess gross payroll	Exhibit B	\$ 14,884.00	-	14,884.00
FICA and IPERS contributions on the excess gross payroll	Exhibit B	2,532.17	-	2,532.17
Reimbursements	Page 9	1,421.00	118.84	1,539.84
Subtotal of checks issued to Grace Thomsen		18,837.17	118.84	18,956.01
Unauthorized payroll to City officials	Page 10	10,178.80	-	10,178.80
Excess compensatory time for other City employees	Page 11	-	706.58	706.58
Reimbursements issued to other City employees	Page 11	29.00	1,654.93	1,683.93
Payroll related late fees and interest:				
Internal Revenue Service	Page 11	25,274.16	-	25,274.16
IPERS	Page 11	912.34	-	912.34
Department of Revenue	Page 12	516.63	-	516.63
Wellmark Blue Cross Blue Shield	Page 12	174.45	-	174.45
Walmart Community Card	Page 12	564.04	735.24	1,299.28
Other vendor payments	Page 13	407.82	93.01	500.83
Late fees and finance charges	Page 13	1,637.86	-	1,637.86
Subtotal of improper and unsupported disbursements		58,532.27	3,308.60	61,840.87
Undeposited, uncollected, and/or unbilled utility charges and fees:				
Grace Thomsen's utility account:				
Uncollected utility charges	Page 15	4,248.70	-	4,248.70
Unbilled services	Page 15	2,325.20	-	2,325.20
Selected customers' utility accounts:				
Undeposited and/or uncollected utility charges	Exhibit C	17,993.57	-	17,993.57
Unbilled services	Exhibit C	1,762.09	-	1,762.09
Late fees	Exhibit C	2,005.00	-	2,005.00
Subtotal of undeposited, uncollected, and/or unbilled utility charges and fees		28,334.56	-	28,334.56
Undeposited miscellaneous collections	Page 16	1,180.00	-	1,180.00
Cash withheld from deposit	Page 17	700.00	-	700.00
Totals		\$ 88,746.83	3,308.60	92,055.43

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

Payroll Ending Date	Per City Records		Auditor Calculations			
	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
12/31/14	104.00	104.00	102.50	1.50	-	104.00
01/31/15	97.00	94.00	95.00	2.00	-	97.00
02/28/15	77.00	77.00	74.00	3.00	-	77.00
##	-	171.00	171.00	-	-	171.00
03/31/15	142.00	142.00	140.00	2.00	-	142.00
04/30/15	136.50	136.50	136.50	-	-	136.50
05/31/15	126.00	126.00	124.00	2.00	-	126.00
06/30/15	142.00	142.00	140.00	2.00	-	142.00
07/31/15	148.00	148.00	140.00	2.00	4.00	146.00
08/31/15	136.00	135.00	132.50	2.50	-	135.00
09/30/15	142.00	142.00	140.00	2.00	-	142.00
10/31/15	110.50	108.50	108.00	2.50	-	110.50
11/15/15	64.00	64.00	62.00	2.00	-	64.00
11/30/15	70.00	70.00	70.00	-	-	70.00
12/14/15	72.00	72.00	70.00	2.00	-	72.00
12/31/15	78.00	78.00	78.00	-	-	78.00
01/15/16	64.00	64.00	62.00	2.00	-	64.00
01/31/16	65.00	65.00	62.00	-	-	62.00
02/14/16	72.00	72.00	70.00	2.00	-	72.00
02/29/16	70.00	70.00	64.00	-	-	64.00
03/15/16	72.00	72.00	70.00	2.00	-	72.00
03/31/16	73.00	73.00	73.00	-	-	73.00
04/15/16	74.00	74.00	70.00	2.00	-	72.00
04/29/16	67.00	67.00	64.00	-	3.00	67.00
05/15/16	66.00	66.00	64.00	2.00	-	66.00
05/31/16	82.00	82.00	80.00	-	2.00	82.00
06/15/16	74.00	74.00	72.00	2.00	-	74.00
06/30/16	70.00	72.00	70.00	-	-	70.00
07/15/16	68.00	72.00	66.00	2.00	-	68.00
07/31/16	60.00	64.00	60.00	-	-	60.00

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
-	10.00	\$ -	-	-	-
3.00	10.00	-	-	-	-
-	10.00	-	-	-	-
-	3.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
(2.00)	13.00	26.00	1.99	2.32	30.31
-	13.00	-	-	-	-
-	13.00	-	-	-	-
2.00	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
(3.00)	13.00	39.00	2.98	3.48	45.46
-	13.00	-	-	-	-
(6.00)	13.00	78.00	5.97	6.97	90.94
-	13.00	-	-	-	-
-	13.00	-	-	-	-
(2.00)	13.00	26.00	1.99	2.32	30.31
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
(2.00)	13.00	26.00	1.99	2.32	30.31
(4.00)	13.00	52.00	3.98	4.64	60.62
(4.00)	13.00	52.00	3.98	4.64	60.62

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

Payroll Ending Date	Per City Records		Auditor Calculations			
	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
08/15/16	74.00	74.00	72.00	2.00	-	74.00
08/31/16	78.00	78.00	78.00	-	-	78.00
09/15/16	76.00	76.00	74.00	2.00	-	76.00
09/30/16	64.00	64.00	64.00	-	-	64.00
10/15/16	64.00	64.00	64.00	-	-	64.00
10/31/16	72.00	72.00	72.00	-	-	72.00
11/15/16	74.00	74.00	72.00	2.00	-	74.00
11/29/16	73.00	73.00	72.00	-	-	72.00
12/15/16	72.00	72.00	72.00	-	-	72.00
12/31/16	68.00	68.00	66.00	-	-	66.00
01/15/17	66.00	66.00	64.00	2.00	-	66.00
01/31/17	80.00	80.00	80.00	-	-	80.00
02/15/17	74.00	74.00	72.00	2.00	-	74.00
02/28/17	57.00	57.00	56.00	-	-	56.00
03/15/17	74.00	74.00	72.00	2.00	-	74.00
03/31/17	72.00	72.00	72.00	-	-	72.00
04/15/17	70.50	70.50	64.00	2.00	-	66.00
04/30/17	67.00	67.00	64.00	-	3.00	67.00
05/14/17	80.00	80.00	72.00	2.00	6.00	80.00
05/31/17	80.00	80.00	80.00	-	-	80.00
06/15/17	78.00	78.00	72.00	2.00	-	74.00
06/30/17	88.00	88.00	72.00	-	-	72.00
07/15/17	66.50	66.50	64.00	2.50	-	66.50
07/31/17	72.00	72.00	72.00	-	-	72.00
08/15/17	74.50	74.50	72.00	2.50	-	74.50
08/31/17	80.00	80.00	80.00	-	-	80.00
09/15/17	82.50	82.50	72.00	2.00	8.00	82.00
09/30/17	80.00	80.00	64.00	-	-	64.00
10/15/17	**	82.00	64.00	2.00	-	66.00
10/31/17	83.00	83.00	80.00	-	3.00	83.00

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
-	13.00	-	-	-	-
(1.00)	13.00	13.00	0.99	1.16	15.15
-	13.00	-	-	-	-
(2.00)	15.00	30.00	2.30	2.68	34.98
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(1.00)	15.00	15.00	1.15	1.34	17.49
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(4.50)	15.00	67.50	5.16	6.03	78.69
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(4.00)	15.00	60.00	4.59	5.36	69.95
(16.00)	15.00	240.00	18.36	21.43	279.79
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(0.50)	15.00	7.50	0.57	0.67	8.74
(16.00)	15.00	240.00	18.36	21.43	279.79
(16.00)	15.00	240.00	18.36	21.43	279.79
-	15.00	-	-	-	-

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

Payroll Ending Date	Per City Records		Auditor Calculations			
	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
11/15/17	75.00	75.50	73.00	2.00	-	75.00
11/30/17	73.00	75.00	72.00	-	-	72.00
12/15/17	66.00	66.00	64.00	2.00	-	66.00
12/31/17	72.00	72.00	64.00	-	-	64.00
01/15/18	74.00	74.00	72.00	2.00	-	74.00
01/31/18	83.00	83.00	80.00	-	-	80.00
02/15/18	72.50	72.50	72.00	-	0.50	72.50
02/28/18	65.00	65.00	57.00	-	-	57.00
03/15/18	80.00	80.00	72.00	3.00	-	75.00
03/31/18	77.00	77.00	69.00	-	8.00	77.00
04/15/18	69.00	69.00	64.00	3.00	2.00	69.00
04/30/18	79.00	79.00	72.00	-	7.00	79.00
05/15/18	**	75.00	72.00	2.00	-	74.00
05/31/18	80.00	80.00	80.00	-	-	80.00
06/15/18	67.00	100.00 ^^	64.00	3.00	-	67.00
07/01/18	72.00	72.00	64.00	-	-	64.00
07/15/18	67.00	67.00	64.00	3.00	-	67.00
07/31/18	81.00	81.00	80.00	-	-	80.00
08/15/18	**	74.00	72.00	2.00	-	74.00
08/31/18	**	72.00	72.00	-	-	72.00
09/15/18	**	66.00	64.00	2.00	-	66.00
10/01/18	64.00	64.00	64.00	-	-	64.00
10/15/18	75.00	75.00	72.00	3.00	-	75.00
10/31/18	84.00	84.00	80.00	-	4.00	84.00
11/15/18	79.00	79.00	72.00	3.00	-	75.00
11/30/18	67.00	67.00	64.00	3.00	-	67.00
12/15/18	66.00	66.00	64.00	2.00	-	66.00
12/31/18	72.00	72.00	72.00	-	-	72.00
01/15/19	**	62.00	62.00	-	-	62.00
02/01/19	**	62.00	62.00	-	-	62.00

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
(0.50)	15.00	7.50	0.57	0.67	8.74
(3.00)	15.00	45.00	3.44	4.02	52.46
-	15.00	-	-	-	-
(8.00)	15.00	120.00	9.18	10.72	139.90
-	15.00	-	-	-	-
(3.00)	15.00	45.00	3.44	4.02	52.46
-	15.00	-	-	-	-
(8.00)	15.00	120.00	9.18	10.72	139.90
(5.00)	15.00	75.00	5.74	6.70	87.44
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(1.00)	15.00	15.00	1.15	1.34	17.49
-	15.00	-	-	-	-
(33.00)	15.00	495.00	37.87	44.20	577.07
(8.00)	15.00	120.00	9.18	10.72	139.90
-	15.00	-	-	-	-
(1.00)	15.00	15.00	1.15	1.42	17.57
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	15.00	-	-	-	-
(4.00)	15.00	60.00	4.59	5.66	70.25
-	15.00	-	-	-	-
-	15.00	-	-	-	-
-	17.00	-	-	-	-
-	17.00	-	-	-	-
-	17.00	-	-	-	-

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

Payroll Ending Date	Per City Records		Auditor Calculations			
	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
02/15/19	**	67.00	67.00	-	-	67.00
03/01/19	**	63.00	63.00	-	-	63.00
03/15/19	72.00	72.00	64.00	2.00	-	66.00
03/31/19	70.00	70.00	64.00	-	-	64.00
04/15/19	**	72.00	72.00	-	-	72.00
04/30/19	80.00	80.00	72.00	-	7.00	79.00
05/15/19	76.00	80.00	72.00	2.00	-	74.00
05/31/19	80.00	80.00	72.00	-	-	72.00
06/15/19	**	115.00	67.00	-	-	67.00
06/30/19	80.00	80.00	64.00	-	8.00	72.00
07/15/19	**	80.00	72.00	3.00	-	75.00
07/31/19	**	79.00	80.00	-	-	80.00
08/15/19	**	76.00	72.00	3.00	-	75.00
08/31/19	**	70.00	64.00	-	-	64.00
09/15/19	**	72.00	64.00	3.00	-	67.00
09/30/19	**	89.00	72.00	-	-	72.00
09/30/19	**	8.50 #	8.50	-	-	8.50
10/15/19	**	80.00	72.00	3.00	-	75.00
10/15/19	**	8.00 #	8.00	-	-	8.00
10/31/19	**	85.00	80.00	-	-	80.00
10/31/19	**	7.00 #	7.00	-	-	7.00
11/15/19	**	75.00	64.00	3.00	-	67.00
11/30/19	**	80.00	64.00	-	-	64.00
12/15/19	**	74.00	64.00	3.00	-	67.00
12/31/19	**	88.00	80.00	-	-	80.00
01/15/20	**	74.00	72.00	3.00	-	75.00
01/31/20	**	80.00	72.00	-	-	72.00
02/15/20	**	82.00	64.00	3.00	-	67.00
02/29/20	**	80.00	64.00	-	-	64.00
02/29/20	**	6.00 #	6.00	-	-	6.00

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
-	17.00	-	-	-	-
-	17.00	-	-	-	-
(6.00)	17.00	102.00	7.80	9.63	119.43
(6.00)	17.00	102.00	7.80	9.63	119.43
-	17.00	-	-	-	-
(1.00)	17.00	17.00	1.30	1.60	19.90
(6.00)	17.00	102.00	7.80	9.63	119.43
(8.00)	17.00	136.00	10.40	12.84	159.24
(48.00)	17.00	816.00	62.42	77.03	955.45
(8.00)	17.00	136.00	10.40	12.84	159.24
(5.00)	17.00	85.00	6.50	8.02	99.52
1.00	17.00	-	-	-	-
(1.00)	17.00	17.00	1.30	1.60	19.90
(6.00)	17.00	102.00	7.80	9.63	119.43
(5.00)	17.00	85.00	6.50	8.02	99.52
(17.00)	17.00	289.00	22.11	27.28	338.39
-	8.00	-	-	-	-
(5.00)	17.00	85.00	6.50	8.02	99.52
-	8.00	-	-	-	-
(5.00)	17.00	85.00	6.50	8.02	99.52
-	8.00	-	-	-	-
(8.00)	17.00	136.00	10.40	12.84	159.24
(16.00)	17.00	272.00	20.81	25.68	318.49
(7.00)	17.00	119.00	9.10	11.23	139.33
(8.00)	17.00	136.00	10.40	12.84	159.24
1.00	17.00	-	-	-	-
(8.00)	17.00	136.00	10.40	12.84	159.24
(15.00)	17.00	255.00	19.51	24.07	298.58
(16.00)	17.00	272.00	20.81	25.68	318.49
-	8.00	-	-	-	-

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

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	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
03/15/20	**	82.00	64.00	3.00	-	67.00
03/31/20	**	96.00	80.00	-	-	80.00
04/15/20	**	94.00	72.00	3.00	-	75.00
04/30/20	**	90.00	72.00	-	-	72.00
05/15/20	**	88.00	64.00	3.00	-	67.00
05/31/20	**	88.00	64.00	-	-	64.00
06/15/20	**	90.00	72.00	3.00	-	75.00
06/30/20	**	96.00	64.00	-	-	64.00
07/15/20	**	81.00	72.00	3.00	-	75.00
07/31/20	**	96.00	64.00	-	-	64.00
08/15/20	**	80.00	64.00	3.00	-	67.00
08/31/20	**	88.00	72.00	-	-	72.00
09/15/20	**	96.00	72.00	3.00	-	75.00
09/30/20	**	88.00	72.00	-	-	72.00
10/15/20	**	96.00	72.00	3.00	-	75.00
10/31/20	**	80.00	64.00	-	-	64.00
11/15/20	**	80.00	64.00	3.00	-	67.00
11/30/20	**	88.00	72.00	-	-	72.00
12/15/20	**	88.00	72.00	3.00	-	75.00
12/31/20	96.00	96.00	88.00	-	8.00	96.00
01/15/21	88.00	88.00	64.00	2.00	-	66.00
01/31/21	96.00	96.00	64.00	-	-	64.00
02/15/21	92.00	90.00	72.00	2.00	-	74.00
02/28/21	90.00	90.00	64.00	-	-	64.00
02/28/21	5.00	5.00 #	5.00	-	-	5.00
03/15/21	90.00	90.00	72.00	2.00	-	74.00
03/31/21	106.00	106.00	77.00	3.00	-	80.00
04/15/21	92.00	92.00	72.00	2.00	-	74.00
04/30/21	71.50	78.50	64.00	-	-	64.00
04/30/21	7.00	7.00 #	7.00	-	-	7.00

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
(15.00)	17.00	255.00	19.51	24.07	298.58
(16.00)	17.00	272.00	20.81	25.68	318.49
(19.00)	17.00	323.00	24.71	30.49	378.20
(18.00)	17.00	306.00	23.41	28.89	358.30
(21.00)	17.00	357.00	27.31	33.70	418.01
(24.00)	17.00	408.00	31.21	38.52	477.73
(15.00)	17.00	255.00	19.51	24.07	298.58
(32.00)	17.00	544.00	41.62	51.35	636.97
(6.00)	17.00	102.00	7.80	9.63	119.43
(32.00)	17.00	544.00	41.62	51.35	636.97
(13.00)	17.00	221.00	16.91	20.86	258.77
(16.00)	17.00	272.00	20.81	25.68	318.49
(21.00)	17.00	357.00	27.31	33.70	418.01
(16.00)	17.00	272.00	20.81	25.68	318.49
(21.00)	17.00	357.00	27.31	33.70	418.01
(16.00)	17.00	272.00	20.81	25.68	318.49
(13.00)	17.00	221.00	16.91	20.86	258.77
(16.00)	17.00	272.00	20.81	25.68	318.49
(13.00)	17.00	221.00	16.91	20.86	258.77
-	17.00	-	-	-	-
(22.00)	17.00	374.00	28.61	35.31	437.92
(32.00)	17.00	544.00	41.62	51.35	636.97
(16.00)	17.00	272.00	20.81	25.68	318.49
(26.00)	17.00	442.00	33.81	41.72	517.53
-	8.00	-	-	-	-
(16.00)	17.00	272.00	20.81	25.68	318.49
(26.00)	17.00	442.00	33.81	41.72	517.53
(18.00)	17.00	306.00	23.41	28.89	358.30
(14.50)	17.00	246.50	18.86	23.27	288.63
-	8.00	-	-	-	-

Report on Special Investigation
of the City of Cumberland

Excess Gross Payroll Issued to Grace Thomsen
For the Period January 1, 2014 through June 30, 2021

Payroll Ending Date	Per City Records		Auditor Calculations			
	Hours Per Timesheet	Hours Paid per Pay Stub	Expected Hours ~	Add'l Time for Council Meetings	Add't Other Time	Total Expected
04/30/21	-	-	-	-	-	-
05/15/21	86.50	86.50	64.00	2.50	-	66.50
05/31/21	92.00	92.00	72.00	-	20.00	92.00
06/08/21	52.50	53.50	40.00	3.50	10.00	53.50
	<u>8,044.00</u>	<u>12,053.00</u>	<u>10,883.00</u>	<u>176.50</u>	<u>103.50</u>	<u>11,163.00</u>

Represents a retroactive pay increase which affected multiple paychecks.

** Missing timesheets.

^^ Represents a vacation payout which was not properly approved by the City Council.

Hours paid for bartending at the City's Community Center.

~ Auditors' calculation based on payroll resolutions, discussions with City Council members, City Hall hours, and established expectations.

Variance (over)/Under paid	Approved Pay Rate	Improper Gross Wages	FICA Rounded	IPERS Rounded	Total Improper
-		-	-	-	-
(20.00)	17.00	340.00	26.01	32.10	398.11
-	17.00	-	-	-	-
-	17.00	-	-	-	-
<u>(890.00)</u>		<u>\$ 14,884.00</u>	<u>1,138.62</u>	<u>1,393.55</u>	<u>17,416.17</u>

Exhibit CReport on Special Investigation
of the City of CumberlandSelected Customers' Utility Accounts
For the Period January 1, 2014 through June 30, 2021

Name	Unbilled Utilities	Unbilled Late Fees	Undeposited Collections	Deleted Payments	Remaining Balance of Credit Memo (If Any)
Customer 1	\$ 287.39	110.00	2,171.28	2,171.28	153.54
Customer 2	-	15.00	710.00	710.00	-
Customer 3	**	20.00	202.25	-	N/A
Customer 4	-	85.00	1,260.00	1,000.00	214.73
Customer 5	7.30	145.00	932.00	932.00	350.39
Customer 6	43.75	35.00	-	-	1,376.86
Customer 7	-	35.00	355.00	-	N/A
Customer 8	-	25.00	-	-	374.03
Customer 9	2.88	-	964.00	844.00	(208.50)
Customer 10	4.00	60.00	-	-	361.15
Customer 11	177.47	70.00	330.50	-	N/A
Customer 12	208.50	95.00	-	-	340.51
Customer 13	-	25.00	60.00	60.00	104.79
Customer 14	-	-	-	-	122.37
Customer 15	-	20.00	160.73	160.73	76.51
Customer 16	-	30.00	40.00	40.00	222.40
Customer 17	-	10.00	102.78	102.78	48.30
Customer 18	278.00	125.00	813.33	813.33	-
Customer 19	-	-	-	-	373.98
Customer 20	-	15.00	76.71	76.71	123.00
Customer 21	-	65.00	549.55	549.55	-
Customer 22	-	90.00	100.00	-	34.23
Customer 23	29.83	5.00	111.32	-	138.14
Customer 24	58.55	75.00	889.50	500.00	300.00
Customer 25	160.49	40.00	73.83	73.83	365.62
Customer 26	-	80.00	440.00	-	N/A
Customer 27	76.00	85.00	145.00	145.00	245.97
Customer 28	76.83	15.00	20.00	-	67.33
Customer 29	-	80.00	300.00	300.00	244.28
Customer 30	289.50	15.00	305.45	129.95	96.65
Customer 31	-	10.00	92.57	92.57	185.68
Customer 32	-	40.00	60.00	60.00	170.47
Customer 33	61.60	95.00	3,467.80	2,747.09	801.22

Report on Special Investigation
of the City of Cumberland

Selected Customers' Utility Accounts
For the Period January 1, 2014 through June 30, 2021

Name	Unbilled Utilities	Unbilled Late Fees	Undeposited Collections	Deleted Payments	Remaining Balance of Credit Memo (If Any)
Customer 34	-	20.00	414.50	-	N/A
Customer 35	-	155.00	100.00	100.00	201.99
Customer 36	-	105.00	450.00	200.00	629.93
Customer 37	-	50.00	208.38	208.38	-
Customer 38	-	15.00	509.09	100.00	378.94
Customer 39	-	-	313.00	313.00	N/A
Customer 40	-	-	377.00	377.00	N/A
Customer 41	-	5.00	443.00	443.00	N/A
Customer 42	-	40.00	445.00	445.00	278.21
	\$ 1,762.09	2,005.00	17,993.57	13,695.20	8,172.72

** - Unable to determine based on available supporting documentation.

Report on Special Investigation of the
City of Cumberland

Staff

This review was performed by:

Melissa J. Finestead, CFE, Director
Jennifer Campbell, CPA, Manager
Holly R. Ewing, Auditor Investigator
Gono Quaye, Assistant Auditor

A handwritten signature in black ink, appearing to read 'James S. Cunningham', with a long horizontal flourish extending to the right.

James S. Cunningham, CPA
Deputy Auditor of State

Appendix

Report on Special Investigation of the
City of Cumberland

Selected Pages of the Audit Trail Report for a Resident Utility Account

12:21 PM
02/15/22

City of Cumberland
Audit Trail- [REDACTED]
Entered/Last Modified

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Split	Debit	Credit
Deposit										
	12/06/2017 08:42:10	Admin	Deleted						0.00	
	11/06/2017 08:40:34	Admin	Prior	11/01/2017	[REDACTED]	Deposit	Checking	-SPLIT-	1,501.80	
							Undeposited Funds	Checking		50.00
							Undeposited Funds	Checking		100.00
10605							Undeposited Funds	Checking		43.75
2600							Undeposited Funds	Checking		61.69
3249							Undeposited Funds	Checking		60.79
6666							Undeposited Funds	Checking		49.73
7426							Undeposited Funds	Checking		71.25
9423							Undeposited Funds	Checking		33.71
1304							Undeposited Funds	Checking		91.57
1161							Undeposited Funds	Checking		57.12
1138							Undeposited Funds	Checking		300.00
1829							Undeposited Funds	Checking		86.78
2064							Undeposited Funds	Checking		46.14
9614							Undeposited Funds	Checking		43.75
7065							Undeposited Funds	Checking		17.00
7065							Undeposited Funds	Checking		144.18
1869							Undeposited Funds	Checking		93.96
8426							Undeposited Funds	Checking		43.75
1091							Undeposited Funds	Checking		44.94
2382							Undeposited Funds	Checking		61.69
Deposit										
	01/08/2018 13:58:18	Admin	Deleted						0.00	
	11/15/2017 08:37:22	Admin	Prior	11/15/2017	[REDACTED]	Deposit	Checking	-SPLIT-	241.28	
Acct ...						Balance She...	Undeposited Funds	Checking		241.28
Acct ...						Balance She...	Undeposited Funds	Checking	241.28	241.28
Deposit										
	12/30/2019 10:49:59	Admin	Latest	11/01/2017	[REDACTED]	Deposit	Checking	-SPLIT-	1,501.80	
							Undeposited Funds	Checking		50.00
							Undeposited Funds	Checking		100.00
							Undeposited Funds	Checking		43.75
10605							Undeposited Funds	Checking		61.69
2600							Undeposited Funds	Checking		60.79
3249							Undeposited Funds	Checking		49.73
6666							Undeposited Funds	Checking		71.25
7426							Undeposited Funds	Checking		33.71
9423							Undeposited Funds	Checking		91.57
1304							Undeposited Funds	Checking		57.12
1161							Undeposited Funds	Checking		86.78
1829							Undeposited Funds	Checking		46.14
2064							Undeposited Funds	Checking		43.75
9614							Undeposited Funds	Checking		17.00
7065							Undeposited Funds	Checking		144.18
7065							Undeposited Funds	Checking		93.96
1869							Undeposited Funds	Checking		43.75
8426							Undeposited Funds	Checking		44.94
1091							Undeposited Funds	Checking		

Report on Special Investigation of the
City of Cumberland

Selected Pages of the Audit Trail Report for a Resident Utility Account

12:21 PM
02/15/22

City of Cumberland
Audit Trail- [REDACTED]
Entered/Last Modified

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Split	Debit	Credit
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		140.00
					[REDACTED]		Undeposited Funds	Checking		150.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		300.00
					[REDACTED]		Undeposited Funds	Checking		95.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		250.00
					[REDACTED]		Undeposited Funds	Checking		200.00
					[REDACTED]		Undeposited Funds	Checking		237.00
					[REDACTED]		Undeposited Funds	Checking		75.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		250.00
					[REDACTED]		Undeposited Funds	Checking		300.00
					[REDACTED]		Undeposited Funds	Checking		80.00
Deposit										
	08/29/2019 11:27:15	Admin	Deleted						0.00	
	08/27/2019 14:02:49	Admin	Prior	08/26/2019	[REDACTED]	Deposit	Checking	-SPLIT-	5,876.02	
					[REDACTED]		Undeposited Funds	Checking		140.00
					[REDACTED]		Undeposited Funds	Checking		132.00
					[REDACTED]		Undeposited Funds	Checking		82.55
					[REDACTED]		Undeposited Funds	Checking		130.00
					[REDACTED]		Undeposited Funds	Checking		133.38
					[REDACTED]		Undeposited Funds	Checking		400.00
					[REDACTED]		Undeposited Funds	Checking		200.00
					[REDACTED]		Undeposited Funds	Checking		75.00
					[REDACTED]		Undeposited Funds	Checking		75.00
					[REDACTED]		Undeposited Funds	Checking		300.00
					[REDACTED]		Undeposited Funds	Checking		354.00
					[REDACTED]		Undeposited Funds	Checking		69.50
					[REDACTED]		Undeposited Funds	Checking		130.50
					[REDACTED]		Undeposited Funds	Checking		1,207.09
					[REDACTED]		Undeposited Funds	Checking		50.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		140.00
					[REDACTED]		Undeposited Funds	Checking		150.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		300.00
					[REDACTED]		Undeposited Funds	Checking		95.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		250.00
					[REDACTED]		Undeposited Funds	Checking		200.00
					[REDACTED]		Undeposited Funds	Checking		237.00
					[REDACTED]		Undeposited Funds	Checking		75.00
					[REDACTED]		Undeposited Funds	Checking		100.00
					[REDACTED]		Undeposited Funds	Checking		250.00
					[REDACTED]		Undeposited Funds	Checking		300.00
Deposit										
	09/10/2019 09:33:18	Admin	Deleted						0.00	

Report on Special Investigation of the
City of Cumberland

Selected Pages of the Audit Trail Report for a Resident Utility Account

12:21 PM
02/15/22

City of Cumberland
Audit Trail- [REDACTED]
Entered/Last Modified

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Split	Debit	Credit
20486...	06/05/2017 08:33:33	Admin	Latest	06/05/2017	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	223.02	223.02
	08/03/2017 09:06:17	Admin	Latest	08/03/2017	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	200.00	200.00
	01/08/2018 13:59:10	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	10/30/2017 11:39:50	Admin	Prior	10/26/2017	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	241.28	241.28
	11/06/2017 08:31:52	Admin	Latest	11/01/2017	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	100.00	100.00
	12/13/2017 10:50:02	Admin	Latest	12/13/2017	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	100.00	100.00
	01/30/2018 08:37:08	Admin	Latest	01/30/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	130.00	130.00
	02/26/2018 13:30:25	Admin	Latest	02/22/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	100.00	100.00
	04/04/2018 08:50:16	Admin	Latest	04/01/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	200.00	200.00
	07/03/2018 10:08:32	Admin	Latest	07/03/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	180.00	180.00
	08/06/2018 10:58:38	Admin	Latest	08/06/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	200.00	200.00
	09/04/2018 08:57:48	Admin	Latest	09/04/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	400.00	400.00
	02/17/2021 15:26:24	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	12/13/2018 13:20:06	Admin	Prior	11/01/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	130.00	130.00

Report on Special Investigation of the
City of Cumberland

Selected Pages of the Audit Trail Report for a Resident Utility Account

12:21 PM
02/15/22

City of Cumberland
Audit Trail- [REDACTED]
Entered/Last Modified

Num	Entered/Last Modified	Last modified by	State	Date	Name	Memo	Account	Split	Debit	Credit
	12/13/2018 13:17:48	Admin	Prior	12/13/2018	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	130.00	130.00
Payment										
	02/17/2021 15:26:46	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	04/03/2019 09:33:15	Admin	Prior	04/01/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	400.00	400.00
Payment 39816										
39816	05/22/2019 11:15:42	Admin	Latest	05/20/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	115.80	115.80
Payment										
	06/04/2019 15:31:28	Admin	Latest	06/03/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	300.00	300.00
Payment										
	02/17/2021 15:27:23	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	06/06/2019 10:07:04	Admin	Prior	06/04/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	300.00	300.00
Payment										
	02/17/2021 15:27:34	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	08/07/2019 14:54:37	Admin	Prior	07/31/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	200.00	200.00
Payment										
	10/08/2019 11:57:38	Admin	Latest	10/08/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	160.00	160.00
Payment										
	02/17/2021 15:27:04	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	12/09/2019 10:07:00	Admin	Prior	12/09/2019	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	300.00	300.00
Payment										
	02/27/2020 09:03:10	Admin	Latest	02/24/2020	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	700.00	700.00
Payment										
	04/16/2020 10:31:59	Admin	Latest	04/16/2020	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	345.75	345.75
Payment										
	02/17/2021 15:28:07	Admin	<i>Deleted</i>		[REDACTED]				0.00	
	06/29/2020 09:50:33	Admin	Prior	06/01/2020	[REDACTED]		Undeposited Funds 1220 - Accounts R...	1220 - Accoun... Undeposited ...	300.00	300.00