



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

**PUBLIC FUNDS DIVISION**  
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**Matthew H. Mead**  
Governor

**Jeffrey C. Vogel**  
Director

**Pamela Robinson**  
Administrator

July 24, 2015

Albany Co. Predator Management District  
c/o President Newkirk  
PO Box 2454  
Laramie, WY 82073

Dear President Newkirk:

We are issuing this audit report pursuant to the requirements of Wyoming Statute 9-1-507. This statute authorizes the Department of Audit to audit special districts. The district submits the Survey of Local Government Finances (Census Report) providing financial information to the Department of Audit each fiscal year in accordance with Wyoming Statute 9-1-507 (a) (vii).

**Objective:** The purposes of our audit were to determine if Albany Co. Predator Management District (District) was in compliance with Wyoming State Statutes and to verify the accuracy of the Census Report.

**Scope and Methodology:** We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit was from July 1, 2013 to June 30, 2014 including the Census Report. We interviewed the president, treasurer, and the bookkeeper from the District. The following tests were accomplished during the performance of the audit.

- Compared Census Report revenues to State of Wyoming and County Treasurer distribution reports
- Reviewed voided checks and general ledger accounts for unusual transactions
- Randomly and judgmentally selected 55 of 92 total expenditures in the Census Report and agreed to supporting documentation and board approval
- Performed bank reconciliation and verification
- Reviewed the internal controls and computer controls
- Reviewed State Statutes applying to the District and compared to practices and procedures in place at the District

Based on the procedures identified above, possible violations of the Constitution and State Statutes were identified. These violations and additional findings are presented in the accompanying summary of findings and recommendations.

This report is intended solely for the use of the specified users listed; however, this report is a matter of public record and its distribution is not limited.

*Public Funds*

Public Funds

cc: Governor's Office  
County Clerk  
Albany County Attorney

## EXECUTIVE SUMMARY

The overall fiscal responsibility and accountability for the District rests with the governing body. This audit focused on the Wyoming Constitution and Statutes, and how the District complied with them. The audit also determined the accuracy of the Census Report by reviewing supporting documentation. The areas specifically focused on were:

1. Compliance and Internal Controls
2. Accuracy

A short summary of the focus areas are discussed below.

### **Compliance and Internal Controls**

**Conflict of Interest** – The treasurer and bookkeeper are husband and wife and they controlled the custody of District assets, authorization and approval of transactions affecting those assets, and recording and reporting. In several cases this relationship had created a situation where the treasurer and bookkeeper were the buyers and sellers of District assets with little oversight.

The District's building was located on the treasurer's and bookkeeper's land. There was no lease agreement between the treasurer and bookkeeper and the District. A lease agreement was set up after the audit period, however, the agreement was found to be inadequate. The agreement did not include many of the requirements found in a public – private lease.

**Lack of Board Governance** – There were several key internal controls missing from the operations, which increased the risks faced by the District.

**Other Compliance** –The District did not file copies of records with the county clerk. The District did not submit a report of receipts and disbursements to the county. Approval of expenditures could not be traced to the minutes. Vouchers were not used on expenditures. There were expenditures that did not have an invoice. There were expenditures that did not have a perjury statement.

### **Accuracy**

The District reported cash, revenues, and expenditures materially accurate on the Census Report.

For more detail on the areas audited, refer to each specific section in the rest of the report.

## TREASURER'S IMPARTIALITY CONCERNS

### Conflict of Interest

Albany County stretches approximately 4,300 square miles and the District's board was scattered throughout the area. As proximity was an issue when holding meetings and approving expenditures, the board created a policy that authorized the treasurer alone to make payments on behalf of the District without board approval. In an attempt to create segregation of duties and increase controls over District assets, the board hired a

bookkeeper. However, the bookkeeper that was hired was the treasurer's wife. The treasurer and bookkeeper controlled and still control the custody of District assets, authorization and approval, recording and reporting, and therefore have control of the entire accounting function.

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Wyoming State Statute 9-13-104 reads: (a) No public official, public member or public employee shall advocate or cause the employment, appointment, promotion, transfer or advancement of a family member to an office or position of the state, a county, municipality or a school district. A public official, public member or public employee shall not supervise or manage a family member who is in an office or position of the state, a county, municipality or school district.

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**Recommendation:** Since the bookkeeper and treasurer are husband and wife, the board needs to address the increased risk resulting from their relationship. Expense authorization should be removed from the treasurer as long as his wife remains bookkeeper. Additionally, the president of the board should sign each check in addition to the treasurer, instead of allowing the treasurer to be the sole signer.

### Personal Benefit Through Purchase of ATV

The District purchased a 2004 Polaris ATV from the treasurer. The treasurer had a personal interest in the transaction as he was the buyer for the District and the seller of his family's personal ATV. In October 2013, the District treasurer paid \$5,500 out of District funds to his wife for the ATV. In 2004 the ATV would have sold brand new for \$6,599 plus a winch and plow, according to the National Automobile Dealers Association (NADA). As of July 2015, NADA quoted the ATV at clean trade-in for \$2,727, which included a winch and plow. Additionally, the auditors interviewed a power sports wholesaler specializing in Polaris brand vehicles. The wholesaler indicated he would sell the ATV described for approximately \$2,500. Therefore, it would appear the \$5,500 paid by the District for the ATV was unreasonable. Auditors requested from the treasurer documentation to support the \$5,500 price he came up with, and he provided a hand written note of several prices, none of which were \$5,500. Auditors then took the average of the prices he had written down and the result was \$4,700. It is important to note the documentation the treasurer provided was

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Wyoming State Statute 9-13-103 reads: (a) No public official, public member or public employee shall use his office or position for his private benefit.

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questionable as the information was vague, not dated, not signed by any board member, and not discussed in the meeting minutes. It appeared the treasurer unreasonably benefitted from the sale of the ATV.

**Recommendation:** The District should create written procedures on how to determine the fair value of an asset being purchased. For example, in regards to the ATV, an industry

standard pricing mechanism could be attached to the research document to help support the price. An appraisal could also be done by a power sports dealer and attached to the research document. All documents to support the price of an asset should be reviewed, dated, and signed by each board member, all of which should be recorded in the minutes.

### **Additional Concerns**

In addition to the potential violation of statute described above, other potential concerns are raised;

- The treasurer would provide services through his company and sell personal items to the District. Invoices were created by the treasurer to help support the expense, however, 26 of those invoices provided insufficient detail such as:
  - what items were sold to the District
  - what services were provided
  - an hourly work rate
  - the amount of time spent working
- The District did not submit IRS form 1099 for the bookkeeper, when it should have, subjecting the District to possible fines. Reporting was a duty assigned to the bookkeeper and treasurer.
- The District did not have a reimbursement policy and the treasurer and bookkeeper reimbursed themselves 15 times. Additionally, there was no review by a board member to ensure the reimbursement served a legitimate business purpose.
- There were 20 occurrences where the payee on the check did not match the vendor name in the general ledger. It was explained by the bookkeeper and the treasurer that it "looked bad" if the treasurer writes checks to himself, so instead, he writes them to his wife or daughter.
- There were six occurrences where the amount in the general ledger did not match invoice amounts.

**Recommendations:** Detailed invoices are required to determine the reasonableness of expenses. The invoice should include what was being purchased, quantity, price per item, and for service work the detail should include the hourly work rate and the hours spent on that specific job. This is especially important if there appears to be a conflict of interest. If items from someone's personal inventory are being sold to the District, someone completely unrelated to the transaction should sign off and approve the sale.

The District needs to ensure IRS form 1099 is completed and submitted for all contract workers. Failure to do so may result in monetary penalties.

As reimbursements are typical in the District's operations, a reimbursement policy should be created. A sound reimbursement policy should include the following elements:

- What is appropriate and allowable
- Original receipts
- Expense reimbursement deadlines
- Authorized approval

The treasurer should not be writing any checks to his family members or his businesses. The payee on the check must match the vendor name on the invoice and the general ledger amount must match the invoice amount.

### **Lease Agreement**

During the audit period there was no agreement between the District and the treasurer/bookkeeper regarding the building on their land. On February 20, 2015, an agreement was made between the two. However, the agreement was inadequate as many of the requirements typically found in an agreement between a public and private entity did not exist. It was also not reviewed by legal counsel to help ensure both entities were protected. There was no provision addressing insurance, liability, termination of contract, easement, etc. Further, there was a provision that stated repairs will be paid for by the District but did not address who is authorized to make that call. When combined with the District's fiscal policy, the agreement allowed the treasurer alone, to initiate and make payments for repairs. This created a situation where the treasurer could perform work on the building without prior approval from the board, using District money. Finally, there was a provision

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Wyoming State Statute 9-13-106 reads: (a) A public official, public member or public employee shall not make an official decision or vote on an official decision if the public official, public member or public employee has a personal or private interest in the matter. ...A public official or public member shall not vote to give money or any direct financial benefit to himself except for tax reductions affecting the general public.

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that addresses what happens if the family sells the land. They are to purchase the building from the District for the depreciated value. The provision may allow the family to purchase the building for \$0 once it has fully depreciated. The provision combined with the repair provision could allow the family to potentially upgrade the building using District money, at the same time increasing the

value of their land. They could then buy the building for nothing and sell the property at the increased value.

**Recommendation:** The District needs to have the lease agreement reviewed by the District lawyer.

### **LACK OF BOARD GOVERNANCE**

Regarding internal controls, the control environment, or tone at the top, is the foundation on which effective systems of internal controls are built and operated. The District's weaknesses in controls were further amplified due to the poor tone at the top. The board did not review, monitor, or inquire about financial transactions or reports.

There was no contract to outline the duties of the bookkeeper and she gets paid in advance. The District may not recover the \$6,000 paid to her if she left the District prior to the period paid for by the District.

There was no physical inventory to ensure the supplies were actually purchased. The District's expenditure approval policy (the treasurer having sole control of authorization and payment) and the fact physical inventory is stored at the building on the treasurer and bookkeeper's land has increased the risk of misappropriation of assets. The District deals with bulk ammunition, reloaders, firearms, and other items which are compact and at increased risk of being misappropriated. There were also no District reports summarizing the hunter's activities.

The budget was overspent potentially violating Wyoming Constitution Article 16, Section 7. The governing body of the District is responsible for ensuring the budget is prepared, approved, executed and evaluated. As there was no monitoring of the budget, the District was unaware they overspent the approved budget by \$11,836. In addition to financial planning, the District's budget performs the role of generating accountability for the financial actions of the District. No amendments were made prior to over expending the budget, thus reducing the financial transparency of the District's transactions.

The amount of the treasurer's surety bond was not sufficient as indicated by the treasurer and bookkeeper. The District is covered for losses up to \$10,000 or 5% of total cash, which would not be enough to continue operations in the event of a total loss of funds.

The District also did not have a written disaster recovery plan. For instance, there was no written plan to describe the procedures if the District had a computer fail and financial records were lost. The District does back-up QuickBooks; however, if something happened where the bookkeeper was unable to provide the back-up no board member would have access to the financial records.

The board did not review, monitor, or inquire about financial transactions or reports.

**Recommendation:** The board needs to be more involved. To help accomplish this, it would be advised the board requires more detailed financial reports at each meeting. The reports should be thoroughly scrutinized, signed and dated. Further, each expenditure should be voted on prior to payment and individual expenditures should be listed with the prior meeting minutes.

The District needs to ensure a written contract exists between them and the bookkeeper. It is also advised the District pay the bookkeeper after the service has been performed to District standards.

Inventory records should be maintained by the District to better track usage of things like ammo, gas, etc. Currently, the District had no idea how much ammo they had and continued to buy more; this created an opportunity for abuse and fraud. Additionally, there should be a tracking system for the pelts harvested and sold. Inventory should not be conducted by the treasurer or bookkeeper as the District's building was housed on their land.

The District should frequently monitor the budget. If there is concern it will be over spent there should be an emergency meeting to amend the budget. The budget should not be over spent.

The District should consider increasing the treasurer's surety bond amount. Through discussion and analysis of cost of operations an amount should be set that would allow the District to continue operations in the event of a total loss of funds.

The District should create a written disaster recovery plan. The plan should include, but not limited to, instructions for necessary duties, or daily tasks, in the event the bookkeeper was unavailable. It should also include procedures, or steps to take, in the event of disaster at the predator supply shed.

## OTHER COMPLAINTS

The District failed to report the following required items to the Albany County Clerk, potentially violating State Statute:

- The District did not file copies of District records per W.S. 16-12-104. As the District did not have a physical location that was open to the public for at least twenty (20) hours each week they needed to file certain District records.
- The District did not submit a report of receipts and disbursements by October 1 as required by W.S. 11-6-208.

Additionally, the following potential violations existed in regards to expenditures:

- 11% of sampled expenditures did not have an invoice as required by Wyoming Constitution Article 16, section 7
- 38% of sampled expenditures did not have a perjury statement as required by Wyoming Constitution Article 16, section 7
- 100% of sampled expenditures did not have vouchers as required by W.S. 11-6-207(c)
- Approval of expenditures could not be traced to the minutes as the District did not provide a detailed listing of expenditures, which is required by Wyoming Constitution Article 16, section 7

Wyoming Constitution Article 16, Section 7 reads: No money shall be paid out of the state treasury except upon appropriation by law and on warrant drawn by the proper officer, and no bills, claims, accounts, or demands against the state, or any county or political subdivision, shall be audited, allowed or paid until a full itemized statement in writing, certified to under penalty of perjury, shall be filed with the officer or officers whose duty it may be to audit the same.

**Recommendation:** The District should provide the Albany County Clerk with the required District records. The District should also ensure the annual report of receipts and disbursements is provided to the clerk. To assist in ensuring these reports are submitted, the District should create a checklist that includes the due dates and specifics regarding reporting.

Expenditures not in compliance with State Statute or the Constitution are considered illegal. To prevent any potential wrongdoing on behalf of the District, they should create a checklist for documentation needed for each expenditure, which includes a perjury statement, a voucher, and itemized invoice.



November 29, 2015

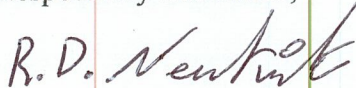
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Albany Co. Predatory Animal Dist.  
Roger Newkirk, President  
P.O. Box 2454  
Laramie, Wy. 82073

Wyoming Department of Audit:

ACPMD agrees with the recommendations provided to us by the Audit completed July 24, 2015. We will work to remedy the way in which the ACPMD conducts its business to deal with the conflict of interest concerns, to be in compliance with State Statute regarding the handling of State monies, Building and Employment contracts, and any other issues that fall within our scope. However, as the annual meeting of the ACPMD is not until the 9th of December 2015, this response will lack the specifics in which these issues will be dealt with. As a board, going forward, we will address and deal with the recommendations that the Audit has provided to us.

Respectfully Submitted,



Roger Newkirk,  
President ACPMD