



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

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February 28, 2014

Alpine Meadows Improvement and Service District
c/o: Michael Halpin, President
PO Box 610
Jackson, WY 83001

Dear Mr. Halpin:

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 purpose of our audit was to determine if the Alpine Meadows Improvement and Service District was in compliance with Wyoming State Statutes as they relate to our objectives 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 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 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, 2012 through June 30, 2013 including the census report. We interviewed the president and the treasurer from the Alpine Meadows I and S District. The following list of tests was performed during the performance of the audit.

- Compared Census Report revenues to County Treasurer distribution reports
- Traced selected other revenues in the Census Report from receipting to bank deposits
- Traced selected expenditures in the Census Report to supporting documentation and District board approval
- Performed bank reconciliation and verification
- Reviewed the internal controls and computer controls
- Reviewed State Statutes relating to the Alpine Meadows I and S District to ensure the District was adhering to those statutes

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

Alpine Meadows Improvement and Service District
February 28, 2014

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

Public Funds

cc: Governor's Office
Lincoln County Clerk

EXECUTIVE SUMMARY

The overall fiscal responsibility and accountability for the Alpine Meadows Improvement and Service District rests with the governing body. This audit focused on Wyoming Statutes and how the Alpine Meadows Improvement and Service 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
 - Compliance with selected Wyoming Statutes
 - Other compliance
2. Accuracy
 - Cash and Investments
 - Revenues
 - Expenditures

A short summary of the focus areas are discussed below.

Compliance

The compliance for the District was found to be lax in reporting the required documentation. The District had not submitted a self-audit or the budget hearing notice to the Wyoming Department of Audit. It was also found that the District had not submitted an F-32 (Census Report) until 2012 even though the District had been active since 2006. There were also internal control weaknesses noted during the audit. These areas are addressed in each section listed below.

Accuracy

The District appeared to have reported correctly as information reported on the Census Report tied to the general ledger, bank statements, and funding provided by the Lincoln County Treasurer's office. Testing identified the District was missing adequate documentation on some of the expenditures. As well, there were missing perjury statements on the expense vouchers. In addition, there were internal control items noted during the audit which indicate potential weaknesses in the District's processes. These areas are addressed in each section listed below.

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

CASH AND INVESTMENTS

Criteria: W.S. 9-4-817 through 9-4-831, 38-2-101

Objective: Determine if depositories and investments were legally acceptable.

Condition/Cause/Effect:

Depositories and investments were legally acceptable and the depository was licensed in the State of Wyoming.

A compliance weakness was noted as, while the investments were legally acceptable, the District did not officially designate their financial institution and the depository did not file an application with the District, both of which are required by State Statute.

In addition, a control weakness was found as the District's investment policy did not state who was authorized to invest funds for the District or approve the investments. Not having specific policies in place for the person authorized to approve investments for the District shows a weakness in controls as it does not document that the person is fully aware of all applicable State laws and Statutes regarding investing for the District.

Objective: Determine if cash and investments reported in the annual report were accurate and consistent with bank statements.

Condition/Cause/Effect:

Cash and investments reported in the annual report were materially accurate.

An internal control weakness was noted as the signatories on the bank accounts for the District were not bonded. Not having signatories adequately bonded by the District is a significant weakness that could potentially result in the loss of District monies if the un-bonded signatory were to fraudulently acquire the District's cash and investments.

Recommendations:

We recommend the District officially designate their financial institution and the depository should file an application with the District in order to comply with statutes.

We recommend an amendment to the investment policy be made stating who may invest funds for the District and who may approve investments. This will clarify who is and is not allowed to invest on behalf of the District and enhance internal controls over the District's investments to safeguard against fraud. This investment policy should be updated on an annual basis or anytime there is significant turnover of the board members.

We recommend the District secure adequate bonding for those individuals who are authorized signatories on the District's bank accounts. This will provide the District with added internal control and shield the District's money from risk of potentially losing those funds.

REVENUES

Criteria: W.S. 9-1-507, 16-4-201, 16-12-104

Objective: Determine if revenues are recorded, reported, and deposited at the correct amount.

Condition/Cause/Effect:

Revenues were recorded, reported and deposited in a correct amount with immaterial differences.

An internal control weakness was noted as the District's board members did not review the money received on a consistent basis. A review of revenues was performed at the District's annual meeting as the board was provided with the District's financial report. Instead the board relied solely on the Meridian Group to manage the Districts daily finances. Not having a regular review performed by the board weakens internal controls as the District board members can provide an additional level of review for errors.

Also, it was noted in the interview that a receipt was not written for every transaction for the District. Not having proper receipting practices could result in revenues going un-accounted.

Recommendations:

While the revenues appeared to be recorded and reported properly, it is recommended the board members take a more active role in reviewing all revenues for the District. While this is not required on a monthly basis it should be reviewed periodically during the year as it will only help to strengthen internal controls and add an additional level of review for errors in recording revenues.

Receipts should be maintained for every transaction in which the District accepts payments including interest, as they are a way to document all revenue for the District.

EXPENDITURES

Criteria: W.S. 9-3-427; Wyoming Constitution Article 16, Section 7,
Alpine Meadows Policies and Procedures

Objective: Determine if all expenditures reported on the Census Report were accurate and authorized.

Condition/Cause/Effect:

All expenditures reported on the Census Report were accurate with an immaterial difference but expenditures were not found to be authorized.

The District was lacking key controls that weaken the monitoring of expenditures. The checks were not signed by a member of the District's board which shows a weakness in the control environment. The checks were signed by the District's CPA, who is an employee of the Meridian Group. All accounting duties relating to expenditures were delegated to the Meridian Group which gives the District limited control over their own expenditures and demonstrates a weakness monitoring, control environment, and control activities.

Perjury statements were not being used for expenditures the District made. Article 16, Section 7 of the Wyoming Constitution states that, "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."

In addition, a control weakness was found as two of 48 tested expenditures were missing adequate supporting documentation and one expenditure did not have any supporting documentation. The effect of not having adequate supporting documentation could result in expenditures being un-accounted for and raise questions if the expenditure was a valid and legitimate transaction for the District.

Objective: Determine if bids were conducted in accordance with statute.

Condition/Cause/Effect:

While there are no bid requirements per Statute for special Districts, the District itself requires they put out for bid any contract over \$5,000, excluding professional services. A control weakness was noted as there were bidding inconsistencies with their own policy.

The picnic pavilion project (\$50,000) was not put out for bid because the District felt they had secured a good value from a single contractor, which is a violation of their own procedures.

Recommendations:

We recommend checks be signed using dual signatures, at least one of them should be a member of the board.

Perjury statements should be used on all of the District's expenditures as required by Article 16 Section 7 of the Wyoming Constitution.

A board member of the District needs to ensure adequate itemized documentation exists, audit the expenditure and certify the expenditure, under penalty of perjury, before money is paid.

All expenditures need to be accompanied by adequate documentation.

A member of the District's board, preferably the Treasurer, since that position is already bonded, should be in charge of reviewing expenditures, signing perjury statements, signing the District's checks, and reviewing financial records. These will enhance internal controls over the District's expenditure process.

Practices regarding bids should be consistent. It is recommended all contracts that qualify for bids under the District's internal rules should be put out for bids.

OTHER COMPLIANCE

Criteria: W.S. 16-2-102, 16-4-109, 16-4-111, 16-4-202 through 16-4-205, 16-4-401 through 16-4-407, 16-5-106, 9-13-101 through 9-13-109
Wyoming Constitution Article 16, Section 6

Objective: Determine if there are other controls in place to prevent errors or deceptions.

Condition/Cause/Effect:

While the District maintained some levels of control there were a few items noted that could potentially cause errors or allow for deception.

A potential conflict of interest was found with members of the board as contract employees or major vendors for the District. The president of the District was also the president of Meridian Group who is contracted to perform professional services including all of the District's accounting and bookkeeping services. The District was aware of this and while this does not appear to be an issue, the ethical nature of the relationship of the District and the Meridian Group could pose a potential risk as there could appear to be a conflict of interest.

The president and treasurer relied heavily on Meridian to complete the District's financial activities with little involvement from the board. The president nor any board member reviewed unopened bank statements, performed reconciliations to the general ledger nor reviewed bank reconciliations. A weakness in internal control was present as the board could provide an additional level of review for potential errors and inconsistencies that may be made by the contracted bookkeeper.

The District did not submit the self-audit form nor had they submitted a Census Report (F-32) form to the Department of Audit until 2012. A result of not submitting these forms may be a violation of State statute.

A control weakness was found with respect to financial planning and entering into contracts without adequate funds. The District was found to have entered into a contract for the picnic pavilion project with Artemis Institute without enough funding to cover the entire project.

A weakness in internal controls regarding the meeting minutes was noted as there was not consistency in having the proper signatures. One of meetings minutes was found to not have the proper signatures. A result of not having the proper signatures showed the minutes as unapproved and incomplete.

A weakness in control was noted as the District did not maintain an accounting policy or a disaster recovery plan. Without an approved written accounting policy from the board the District and its board members may not be fully informed to how the District is to handle their accounting practices and in addition, may not be aware they are adhering to all Statutes and laws specific to Alpine Meadows Improvement and Service District.

Objective: Determine if the policies and procedures, concerning general information technology (IT) controls have potential weaknesses.

Condition/Cause/Effect:

Internal IT controls did not appear to be in place to prevent error or deception.

The District contracted out its IT functions to Factory IT but did not have a written IT policy of its own or from Factory IT. As a result, if there was a catastrophic event to take place at the District, they were unaware if their IT contractor's policy meets the District's needs.

Objective: Determine if the budgeting process used by the entity is in accordance with State Statutes.

Condition/Cause/Effect:

The budgeting process was in accordance with state statutes with some areas of control weaknesses. No budget amendments were found when actual expenses exceeded budgeted expenses, which shows a weakness in control activities and monitoring. Weakness in the control environment was found with respect to approving the budget and the budget hearing as the budget hearing notice was not submitted to the Department of Audit as required by Wyoming Statute 16-4-109(b) and the final budget did not have the proper approval signatures.

Recommendations:

It is recommended that the board review Wyoming Statutes 9-13-101 through 9-13-109 the Ethics and Disclosure Act. Because there is the appearance of a potential conflict of interest with the Meridian Group and the District, the board can assure they are doing everything within their ability to be as transparent with the public as possible while maintaining an ethical working relationship with the two entities.

We recommend the board become more involved in the management of the District's accounting including reviewing unopened bank statements and reviewing bank reconciliations. This will increase the controls within the District and add another level of review that can detect errors or misstatements that may happen.

We recommend the District complete the required self-audit form when revenues and expenditures meet the required level as well as ensuring that the F-32 (Census Report) form is filled out and submitted by the September 30th deadline each year.

The District should be more cautious when entering into contracts and ensure that adequate funds are available to be spent before the contract is entered into.

To improve controls regarding minutes, it is important to ensure that at least two board members sign all approved meeting minutes.

It is recommended the District adopt a formal accounting policies and procedures manual. This should detail the proper accounting practices the District will maintain. The Department of Audit developed a special district accounting manual encompassing all aspects of record keeping for special districts and can be found on the Department's website. The District should adopt a formal disaster recovery plan in case there is a catastrophic event at the District's office and the District has to continue to function.

We recommend the District obtain a copy of the Factory IT's policy and the District adopt a formal disaster recovery plan.

We recommend that actual expenses are monitored and compared to budgeted expenses and budget amendments be made when needed. We recommend the District submit all future budget hearing notices to the Department of Audit and the budget be approved with the proper signatures.

Alpine Meadows I and S District Response

As the treasurer of the ISD, I have begun quarterly review of the financial information (including all revenues and expenses and comparing that information to budget). I will also periodically review unopened bank statements and other financial correspondence that comes into the ISD.

Also, we intend to submit the budget report to the Department of Audit and complete the self-audit (as we've indicated multiple times, we did not believe we were obligated to submit the self-audit per our calculations).

I would also note that we do go to significant effort to obtain bids on work in excess of \$5,000. I believe we provided several other examples of this in the audit review, though none of them are cited here. We just completed a bid process for landscaping services, even though the bids came in under \$5,000. As you could see reviewing the meeting minutes, the ISD board took very seriously the fact that it awarded a contract for the picnic pavilion with insufficient funds to pay for the work. It would be nice if this information was included in the final report as I believe the way it is reported is misleading. We did make that error, but went to extensive effort to determine the best way to proceed once we identified the error.

Also, we did review the conflict of interest issue between the Meridian Group and the ISD at both the ISD and POA meetings this spring so that there was clear disclosure. We certainly will make a copy of the final report available to the membership and the directors and see what additional action, if any, the membership would like to take based on your recommendations.

I hope this additional information is helpful.

Thanks, Laura

Laura Ladd
Principal
Hewitt Ladd, Inc.