



STATE OF WYOMING

DEPARTMENT OF AUDIT

Matthew H. Mead
Governor

Jeffrey C. Vogel
Director

PUBLIC FUNDS DIVISION

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November 14, 2018

Board of Directors
c/o Jaelyn Stewart, Chair
Clearview Improvement and Service District
PO Box 2634
Rock Springs, WY 82902

Dear President Stewart:

We are issuing this audit report pursuant to the requirements of W.S. 9-1-507(a) (v). This statute authorizes the Department of Audit to audit special Districts. In accordance with W.S. 9-1-507 (a) (vii), the special District submits the annual Survey of Local Government Finances – F-32 Report (census report) providing financial information to the Department of Audit each fiscal year.

Objective: The purposes of our audit were to determine;

1. the accuracy of the numbers reported in the census report,
2. if management and officials manage government monies and use their authority properly and in compliance with select laws and regulations,
3. and if there are weaknesses in the Districts internal controls.

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 is from July 1, 2016 through June 30, 2017 including the census report. We interviewed the President, Clerk, water operator and a Board member from the District. The following list of tests was accomplished 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
- Analyzed a random sample of expenditures in the census report to supporting documentation and governing Board approval
- Performed bank reconciliation and verification
- Interviewed key personnel to identify the internal controls that were significant to the objectives of our audit, as well as determined whether they were operating as intended.

Sample size determination for attribute testing uses the means estimation formula for the given population size and assessed risk level. Sample size determination for control testing is influenced



Clearview I&S District
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by the significance of the controls and the inherent risk of the system under consideration. Unless otherwise noted, testing was performed on a random sample basis.

Based on the procedures identified above, possible violations of the Constitution, State Statute and Federal law 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

Summary of Findings and Recommendations

Limitation – The District experienced a theft of funds prior to 2012. As a result of the incident the Districts accounting software, specifically the general ledger was not accurate. Multiple failed attempts to correct the general ledger were made and ultimately the District switched to different accounting software in April of 2017, right before the audit period ended.

Compliance

Unpaid Payroll taxes

The District did not pay eight months of payroll taxes during the audit period. The District was set to make monthly payments and only four payments were made. Not making payroll tax payments could be in violation of Federal law, specifically IRS publication 15, and not only puts public funds at risk, but also places personal liability on each of the Board members.

In advance of the monthly meetings, the clerk provided the Board reports regarding the financial transactions and condition of the District. The Board members review of these reports was not adequate enough to detect the District missed eight payroll tax payments to the IRS. Ultimately the Board is responsible for ensuring compliance with the law.

Recommendation - The District should seek legal advice to pay all past due payroll taxes and bring the District current with the IRS. The District should improve the review process to ensure requirements are being met.

No Perjury Statements (*Repeat audit finding*)

Per the State Constitution, no money shall be paid out without a penalty of perjury statement. The District had 256 total expenditures during the fiscal year. Of the randomly tested expenditures 39 of 42 or 93% did not have a perjury statement and appear to not be legally acceptable as there is no public official verifying the expenditure is true.

The Board lacked proper oversight, which resulted in poor controls or poor control implementation. For instance, the Department of Audit conducted an audit of the District in fiscal year 2013 which the audit found the District did not use perjury statements. Contradictory to their audit response, the governing body did not address the audit finding despite it being a matter of law. Being compliant with law was not a priority for the Board.

Recommendation – All expenditures should have a signed penalty of perjury certification that is compliant with the State Constitution. The Board should implement this as policy and not approve expenses without one.

Transactions paid but not approved

The District had 256 total expenditures during the fiscal year and seven of 42 or 17% of the randomly sampled expenditures did not appear in the meeting minutes for approval and therefore did not appear to be authorized payments by Wyoming Constitution Article 16, section 7.

Although the District has an employee to review and help the clerk, there appears to be an over-reliance on the clerk and a lack of review. This is evident by the omissions on the monthly reports and interviews with Board officials.

Recommendation – All expenditures must be approved by the governing body prior to making payment. The District should improve their review process to ensure all payments are presented to the Board for approval.

Required Report Not Submitted to Department of Audit

The Annual Report Summary was not submitted to the Department of Audit (DOA) as required by DOA rule. Wyoming Statute 9-1-507(a)(vii) states the format is established by Department of Audit rules, specifically, the rule in chapter 4, section 12.

There was a lack of proper oversight by the Board. It is their responsibility to ensure the District was compliant with all laws. However, there is an over reliance on the clerk and the Board expects her to carry out all responsibilities of the District.

Recommendation – The Board should ensure the required Annual Report Summary is submitted to the Department of Audit.

Accuracy

The General Ledger was not accurate

The District had encountered a fraud in 2012, and the perpetrator had made unauthorized changes in the general ledger. Law enforcement confiscated the computer to conduct the investigation. As the District did not have access to their computer or have a disaster recovery plan, they were not able to keep records or properly bill customers for several months. The District was not been able to get the general ledger back on track ever since. Further, the District changed accounting software programs during the audit period, and the clerk did not believe the general ledger in the new software was complete and accurate. It was not possible to go back to prior versions or even compare reports from the prior accounting system as a District employee erased and subsequently lost their flash drive with all bank reconciliations. No other records of these reconciliations were on file or saved to other sources.

Recommendation – The District should develop a disaster recovery plan that includes policy and procedures on how to back up the accounting software and continue maintaining records as well as properly bill customers. The District should also hire a professional accountant, not affiliated with the accounting software they use, to review the past financial records and help correct the books to increase the accuracy.

Internal Controls

Additional weakness in controls

General Control Weaknesses - The Board had not made policies and procedures a priority. There were no debit or credit card policies which are two areas of high risk where misappropriation could occur and there was also not an IT policy. Since the embezzlement in 2012 they have been creating an accounting and employee manual and currently have something to use. However, the Board has not reviewed, adopted, or updated it as policy to create consistency of intended behavior and increase accuracy.

Deposits – Internal controls over deposits were weak. Not only did two deposits get lost and stolen, but the governing body did not notice this until two months later. Further, no police report was made. Additionally, the District does not make intact deposits which increase the difficulty of tracing deposits to the bank to ensure all the money made it.

Expenditures - The Board did not notice a gap in check numbers presented in the Payment Authorization Report and Check Register which is included with the meeting minutes to be approved.

Recommendation – The District should finish creating the policy and procedures manual. The manual should include debit and credit card policies as well as an IT policy. Once the manual is created it should be formally adopted in a monthly meeting.

Deposits should be made intact. Intact bank deposits are made each business day for the full amount of the day's cash receipts.

The board should improve their review process by conducting a detailed review of everything presented to them during normal monthly meetings.

Clearview Improvement & Service District

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BOARD OF DIRECTORS

Jaclyn Stewart, CISD Board President
Dale Ann Fisher, CISD Board Treasurer
Bruce Thomson, CISD Board Secretary

STAFF

Margaret Fortuna, District Clerk/Financial Secretary
Lee Splett, Water Operator/Engineering Technician

December 5, 2018

State of Wyoming Department of Audit
Public Funds Division
c/o Richard Q. Cummings, CFE
Herschler Building 4 West
Cheyenne, WY 82002

RE: Audit Response

Dear Mr. Cummings:

Please find enclosed the Clearview Improvement & Service District's response to the Audit findings for the Fiscal Year 2016-2017.

The recovery and repair of the District has been a long process. The Board of Director's voted to purchase and install new software to ensure the financial state of the District and its records reflect accurate amounts. Prior to the purchase and implementation of the software modules, we spent countless hours attempting to correct the General Ledger we inherited. Payroll was calculated "by hand" and the bank accounts were reconciled monthly in Microsoft Excel due to the anomalies and inaccuracies within the old GL.

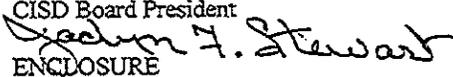
The District implemented Utility Billing in April of 2017. All customer accounts were verified for accuracy and entered into the new software for billing. At the beginning of the new fiscal year (17/18) the District Clerk opened a new General Ledger and began operating the District finances through this module. The District implemented the payroll module of the software in January of 2018 and overall, we are very pleased with the results. We now operate all our activities through the new software.

The General Ledger for the Fiscal Year 2017/2018 reconciled, and we closed out the year with confidence that our figures are accurate. We no longer must track and calculate our finances by hand. Since the complete implementation of ALL the modules, the efficiency and accuracy in our monthly, quarterly and yearly reports has improved drastically.

Attached here is the District's response to the audit findings. If you have any questions or concerns, please do not hesitate to contact our office.

Sincerely,

Jaclyn Stewart
CISD Board President


ENCLOSURE

Clearview Improvement & Service District Audit Response

COMPLIANCE

- **Unpaid Payroll Taxes:**

The District will immediately contact the IRS and resolve the issue. All unpaid taxes along with any/all fees will be paid. The District now calculates and tracks payroll through the payroll module of our new accounting software. Since the conversion, the District has not failed to transfer our 941 taxes. The software prevents oversights such as this by automatically including the payroll tax transfer as a required step in the payroll process. The Board is now presented easy to understand, accurate monthly payroll reports that reflect all activity within the module ensuring the tax transfer is completed.

- **Perjury Statements:**

The District added a perjury statement to all vouchers in July of 2017. The perjury statement is signed by the individual responsible for the purchase and presented to the Board of Director's at the regular monthly meeting along with the corresponding invoice and check.

- **Transactions Paid but not Approved:**

All transactions are presented to the Board at the regular monthly meetings and have been since 2012. However, proper documentation of the approvals were unsigned or missing. The District Clerk now presents the Board with monthly reports generated out of the new software programs. All invoices are presented for payment at the monthly meeting. Once approved, the checks and vouchers are signed. Every transaction is now listed individually on the said reports and the Board verifies each invoice against the checks and vouchers before signing.

- **Required Report not Submitted:**

The District submitted the required report drastically late due to the inability to make the report reconcile and make sense. The 2018 report was much easier to complete and reconcile due to the new software purchased. The Board of Director's will be presented with a checklist to adhere to monthly that will assist them in completing all approvals and tasks required.

ACCURACY

- **General Ledger Inaccuracy:**

The inability to correct and restore the GL within Caselle prompted the Board to research and purchase new accounting software to ensure the financial accuracy of the District. The financial information initially entered in to the new program was verified by the Treasurer at each financial institution. The current GL is reconciled monthly, quarterly and yearly at closeout. The District closed out its first FY within the new software and reconciliation and EOY closing were successful. The District will add an approved IT policy to the current Emergency Response Plan and Operating Manual. Our financial information is now backed up to an off-site location daily via the Cloud. Our data is encrypted upon off-site backups daily.

INTERNAL CONTROLS

- The Board of Director's will approve additions to the current policy and procedure manual. A written credit/debit card policy will be added along with an IT Policy. The additions will be approved and added at the December 2018 regular meeting.
- All deposits are now being made daily or at the time the current batch is closed out. We changed this policy after 2 deposits were stolen. Each deposit is made the same day and audited and verified weekly by the Internal Auditor.

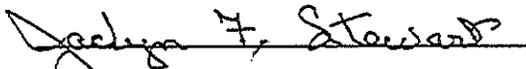
SUMMATION

The Clearview Improvement & Service District had already corrected many of the findings listed in the Audit. We added the perjury statement, created the Operating Manual, and purchased new accounting software. The most critical action the Board took was to purchase the new software. The ability to track our finances and affairs within one (1) software program instead of several different areas resolved a majority of the deficiencies listed prior to the Audit being conducted.

Report Prepared by Margaret R. Fortuna, District Clerk/Financial Secretary



Approved: December 6, 2018



President



Treasurer