



# 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

October 22, 2018

Eden Valley Improvement and Service District  
c/o Dustin Eaton  
PO Box 344  
Farson, WY 82932-0344

Dear President Eaton:

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 district submits the Annual Survey of Local Government Finances (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. adequacy of internal controls
3. whether the district was in compliance with applicable statutes and regulations

**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 to June 30, 2017, including the census report. We interviewed the President of the district, the bookkeeper, and the CPA who assists the district with financial reporting. The following list of tests was accomplished during the performance of the audit:

- compared select census report debt and revenue with third party confirmations and the district's general ledger
- vouched selected expenditures in the census to supporting documentation and board approval
- performed bank reconciliations and verifications
- 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
- reviewed district's compliance with laws and regulations
- reviewed accuracy of the follow-up paperwork required by the Department of Audit

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

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 Wyoming Constitution or State Statute 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

## **EXECUTIVE SUMMARY**

The overall fiscal responsibility and accountability for the Eden Valley Improvement and Service District rests with the governing body. This audit focused on Wyoming Statutes and how the district complied with them. The audit also determined the accuracy of the census report and district financial records by reviewing supporting documentation. The areas specifically reviewed were:

### **Compliance**

The district did not use perjury statements when approving expenditures. The district had not adopted a statement of investment policy. The district cancelled several meetings during the audit period; however, a quorum still met and conducted official business. The district had funds in Edward Jones, an unauthorized depository.

### **Accuracy**

The outstanding debt at the end of the fiscal year was over reported on the census report, as well as the district's general checking accounts. Revenue and expenditures were materially accurate as reported on the census report. The district's accounting software, QuickBooks, had no entries for the mill levy revenue, outstanding bond obligations, the unused bond proceeds, or the interest earned on the unused bond proceeds. The required follow-up paperwork to the Department of Audit had inaccuracies.

### **Internal Controls**

The district did not have written policies and procedures. There was a lack of segregation of duties. A retired board member was still listed as a signatory on one of the district's accounts. The district budgeted its debt service incorrectly.

## Compliance

### **No Perjury Statements:**

The district was required by the Department of Audit to submit follow-up paperwork based on thresholds of revenues and expenditures. The district Treasurer and President both certified the follow-up paperwork and census report were accurate and complete. One of the follow-up documents required was the Internal Control Evaluation, which stated the district only pays claims after the claim is certified under penalty of perjury. Auditors randomly sampled 35 expenditures and judgmentally sampled 5 additional expenditures. All 40 tested expenditures, out of a population of 191 expenditures, did not have perjury statements as required by the Wyoming Constitution, Article 16, Section 7.

### **No Investment Policy:**

The district had not created a statement of investment policy, as required by W.S. 9-4-831(h). Although the district indicated they had no investments, an investment policy is still required to be on file with the district. Additionally, during testing, it was found the district had two CDs with Edward Jones at some point, but those CDs had matured and the funds were held in a cash account at that institution. Edward Jones is not an authorized depository for public funds. An investment policy could help identify these issues.

### **Cancelled Meetings:**

The district cancelled meetings throughout the audit period, four of those meetings being consecutive months. During interviews, and referenced in the cancelled meeting minutes, a quorum still met to approve the bills even though these meetings were closed to the public. If a quorum is present to conduct official business of the district, it shall be considered a regular meeting open to the public in accordance with W.S. 16-4-402(a)(iii) and 16-4-403(a).

## Accuracy

### **Inaccurate Reporting of Outstanding Debt and General Checking Accounts:**

The district issued bonds for the construction of the Eden Valley Community Center. Those bonds were managed by the Sweetwater County Treasurer's office on behalf of the district. A mill levy was assessed for the payment of principal and interest, as well as to provide for a sinking fund. At the completion of construction, there were unused bond proceeds. The district did not report the unused bond proceeds, the interest earned on those unused proceeds, or the sinking fund balance, totaling \$246,513, on the census report. Additionally, these funds were not recorded in the district's QuickBooks nor reflected in the Proof of Cash follow-up documentation required by the Department of Audit.

According to third party bank confirmations, outstanding debt (bond obligations) listed on the census report was over reported by \$33,112. Further, the ending balances in the district's general fund accounts listed on the census report were over reported by a total of \$13,572.

## **Adequacy of Internal Controls**

### **Other Internal Controls:**

The district had not created a written accounting policies and procedures manual. Without such a manual, the district subjects itself to increased risk of fraud, errors, and loss of knowledge if an individual were to leave. There was also a lack of segregation of duties as the bookkeeper received, recorded, deposited, and reconciled revenues. Additionally, one of the retired board members was still listed as a signatory on one of the district's bank accounts. Finally, the district appeared to have exceeded budgeted expenditures due to the district incorrectly budgeting interest payments on debt as principal payments.

## **Recommendations**

It is recommended the district develop a written accounting policies and procedures manual. The Department of Audit provides a Special District Handbook on its website for reference, which includes sections regarding an investment policy, perjury statements, segregation of duties concerns, and information on bond obligations. These items should all be addressed in the district's manual. The manual should also contain a section detailing tasks to complete when a board member leaves or is newly elected, such as removing them from signing privileges on the bank accounts.

If the district cancels a meeting, the board should ensure they wait to approve bills until the next meeting. If this creates a problem with late payments, the board should not cancel the meeting, but continue with two board members meeting to approve the bills. The district needs to close its account with Edward Jones and move those funds to an authorized depository.

The district must report accurately. The district can accomplish this by ensuring QuickBooks is complete, including all bond obligation and mill levy information. The district can also reach out to its banks and the Sweetwater County Treasurer's office to obtain a verification of the figures they have recorded in QuickBooks. The board members should thoroughly review the figures reported on any financial document before they certify with their signatures; this includes ensuring the budgeted debt service amount is divided into principal and interest payments. Lastly, the district's contracted bookkeeper, as well as any board members, could obtain online training on QuickBooks.

Dustin Eaton, President

P.O. Box 344

Farson, WY 82932

Phone: 307-273-9807



November 5, 2018

State of Wyoming  
Department of Audit  
Public Funds Division  
Hathaway Building, 2<sup>nd</sup> Floor  
2300 Capitol Avenue  
Cheyenne, WY 82002

Dear Mr. Cummings:

This letter is in response to the recent audit of the Eden Valley Improvement District by the Public Funds Division of the Wyoming Department of Audit.

Our response to the findings of the audit are attached. This response was approved by all the Board members on November 5, 2018 during a meeting scheduled for the audit review.

We appreciate the opportunity to have our District audited and we strive to fulfill all our responsibilities to the best of our ability. The District will continue to improve on the procedures. If you have any questions or concerns regarding the plans of the district or to correct these issues, please contact us. Thank you!

Sincerely,

Dustin Eaton, President  
Eden Valley Improvement District



#### Compliance

- **Perjury Statements:** The District has obtained a 'Declaration Under Penalty of Perjury' stamp for the book keeper to stamp and sign each invoice billed to the District for payment. They have also added this same statement to the 'Payment Voucher's' for the Board members to sign off during payment review.
- The District made a motion that they will not reschedule a meeting if there is a quorum. If this cannot happen, they will reschedule and advertise the rescheduled meeting date and time.
- The District is working on and will move the funds from Edward Jones to an approved FDIC depository.

#### Accuracy

- The District will communicate with the Sweetwater County Treasurer's office and the Bond's third-party banks.

#### Internal Controls

- The District is currently working on developing written policies and procedures and hopes to have them completed by January 1, 2019. The manuals will address all aspects of the District from bookkeeping, record keeping, bank reconciliation, changing of passwords, hiring Contractors, and standard operating procedures. The will also be in place a checklist for new Board members elected and for Board members removed.
- The District did have the retired Board member removed as a signatory on the noted District's account.