



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

**PUBLIC FUNDS DIVISION**  
(307) 777-7798 Fax (307) 777-5341 pam.robinson@wyo.gov

**Matthew H. Mead**  
Governor

**Jeffrey C. Vogel**  
Director

**Pamela Robinson**  
Administrator

August, 7 2018

Board of Directors  
Mr. Colt Rodeman  
LaPrele Irrigation District  
PO Box 115  
Douglas, WY 82633

Dear Mr. Rodeman,

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 F-32 (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 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 and bookkeeper from the LaPrele Irrigation District (District). The following list of tests was accomplished during the performance of the audit:

- Compared census report revenues to County Treasurer distribution report.
- Vouched selected expenditures in the census report to supporting documentation and District board approval through random and judgmental sampling. Results were not projected to the population of expenditures.
- Performed bank verification.
- Compared account balances to cash and investments reported on the census report.
- Reviewed the internal controls through interviews with board, staff and current established procedures.
- Compared the budget to actual expenditures.

Based on the objectives identified above, there were possible violations of the State Statutes and Constitution as well as Federal Statutes. These issues 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  
Converse County District Court

## Summary of Findings

### Written Policies

**Objective:** To determine if there were weaknesses in the Districts controls regarding policies.

**Conclusion:** The District did not have a written accounting policy and procedures manual. As a result, the following policies were not addressed;

- Investment, required by W.S. 9-4-831(h),
- Reimbursement,
- Charge account,
- Bonding, no one for the District was bonded as required by W.S. 38-2-101,
- Ensuring proof of application from the District banking institution to be District's official depository as required by W.S. 9-4-818,
- Employee contracts or job descriptions,
- The building which the District operated out of did not have a lease agreement or a monthly invoice to support the monthly office rent expenditures with the owner,
- And bidding out projects, the District did not advertise for bids on an annual ditch cleaning project that cost over \$7,500, which is required by W.S. 41-7-412.

**Recommendation:** The District should develop an accounting policies and procedures manual. Without such a document, the District subjects themselves to increased risk of fraud, errors, and loss of knowledge if an integral employee were to leave. The Board can look to the Special District Handbook found at [publicfunds.wyo.gov](http://publicfunds.wyo.gov) for guidance. Further, the Board should address the following:

- A written investment policy is required by W.S. 9-4-831(h). This policy should include what investments are allowed, and the Board must approve all investments.
- A reimbursement policy which establishes how the District will reimburse its employees or Board members for mileage or purchases and the documentation required to ensure it is accurate and for a legitimate purpose.
- A policy establishing what can be purchased by employees from vendors with a charge account. This would include establishing a dollar threshold and a guideline which the employee is allowed to purchase. Anything outside of this should be approved beforehand by the Board.
- W.S. 38-2-101 requires any treasurer or public officer having custody of money be adequately bonded.
- The District should obtain copies of the bank applications for the depository used and designate this depository in the meeting minutes. This should be reviewed anytime there is turnover with Board members, bookkeeper, or the Board chooses a new depository.
- The Board should create job descriptions it has with its employees. This should include the general responsibilities and descriptions of key tasks and their purpose. Also, listing their required qualifications and how they are to be compensated.
- The District needs to work with the owner of the building it currently operates out of to come up with a lease agreement which establishes both parties' requirements and establishes monthly payment amounts.
- Any projects over \$7,500 should be advertised as required by W.S. 41-7-412.

## Segregation of Duties and Oversight

**Objective:** To determine if the District had adequate segregation of duties and oversight.

**Conclusion:** The District did not have adequate segregation of duties or oversight. Having one individual who handles the bulk of the District's financial recording and processing, left the District vulnerable to misappropriation of funds and errors. The bookkeeper was responsible for the majority of fiscal duties: entering the bills, preparing the checks, and recording entries into the Districts books. While the Board is provided with monthly reports, they are not reviewing an unopened bank statement or performing a bank reconciliation to assure accuracy. The District relied on the CPA firm to perform functions for the District. However, it appeared there were communication issues between the CPA and District on what exactly was required of the CPA firm. Further, there were additional errors and control weaknesses noted as a result of lack of oversight:

- Reserves reported on the F-32 (census report) were not designated in the meeting minutes.
- Four signatories listed on the bank confirmation were no longer serving on the Board.
- The District over spent their amended budget which possibly violates Wyoming Constitution Article 16, section 7.
- Approved minutes were not being published or posted as required by W.S. 16-4-403.
- The District's general checking account was regularly overdrawn, resulting in the District incurring multiple overdraft fees.
- One of the 25 randomly sampled expenditures and two of the 12 judgmentally sampled were not paid timely. One incurred a past due amount of \$141.61, another was a utility payment with a disconnect notice if not paid directly.

**Recommendation:** In handling money, there are three key functions: authorization of money spent, custody of money, and recording of transactions. Individuals who have access to more than one area have the ability to commit errors or deception without being detected. The Board should find solutions to mitigate the risks of not having segregation of duties. The Board should consider the following:

- The Board should have a written agreement with the CPA on what functions will be handled by the CPA firm and this should be approved by the Board.
- Require bank reconciliation with the bank statements and the books at Board meetings. Periodically, have Board members open up a bank statement and review for odd transactions and vendors that are out of place, then reconcile the bank statement to the actual books.
- If the Board is going to reserve portions of their cash and investments they need to discuss and approve this in the meeting minutes.
- Ensure the only signatories on the Districts bank accounts are active Board members.
- The District cannot have expenditures in excess of what was appropriated. If the District must spend more than budgeted they must amend the budget to do so.
- The District should consult with their legal counsel to ensure they are reporting the minutes correctly as described in W.S. 16-4-403.
- The District should have an automatic transfer set up at the bank to pull from the IMMA account if the checking account happens to be overdrawn. However, the Board should consider the need for the IMMA account and possibly moving those funds to the checking account.
- The Board is responsible for ensuring all payments are made timely. If the bills become past due based on when the Board meets, they need to work with the vendor or set up an

automatic payment plan for recurring expenses. This can then be approved by the Board at the following meeting by reviewing the payment made and the billed amount to ensure its legitimacy and accuracy.

### **Submitting Required Documentation**

**Objective:** To determine if the District had submitted the F-32 (Census) report as required by W.S. 9-1-507 along with follow-up paper work. Additionally, determine if they are supplying required information to the Converse County District Court.

**Conclusion:** The District was late in submitting the Census report to the DOA by the September 30 deadline. The District indicated they rely on the CPA to fill out the form; however, the District is responsible for ensuring this form is submitted timely. This had been a recurring issue for the District for the last several years. In addition, the District had not submitted any follow-up paperwork as required by the DOA. This included the Self-Audit, Internal Control Evaluation, and Proof of Cash worksheets which are due December 31. Further, the District did not have policies in place which would indicate how the Board will review the Census for accuracy and approve the form prior to submission.

**Recommendation:** The District should ensure they are submitting the required documentation on time and the information reported has been reviewed and approved by the Board. If the District is relying on a CPA firm, the Board should ensure the information required to fill out the Census is supplied with adequate time for them to fill out and send back to the District for the Board to review and submit.

### **Payroll Taxes and Required Documentation**

**Objective:** To determine if the District had adequate controls over payroll for their employees.

**Conclusion:** The District did not have adequate controls in place over payroll functions. The 941 form had not been filed with the Internal Revenue Service (IRS). As a result, associated payroll taxes had not been paid. It was also not possible to know if the correct payroll taxes were deducted from the employees as there were no W-4's on file to confirm what should be withheld. This is a potential fraudulent concern. Discussion with the District indicated this has been the case for several years. In addition, there were other payroll issues noted:

- In addition to the W-4's missing, there were employees that did not have I-9 form on file. Without having the W-4 and I-9 on file, there is no way to verify what the employee indicated is to be withheld from their payroll for taxes.
- The I-9 form on file was not complete.
- Hourly employees did not have supporting documentation on file to verify hours worked.
- 11 of the 33 payroll checks written were missing supporting documentation, which included the Boards approval and a signed perjury statement.

**Recommendation:** The District needs to contact the IRS immediately to determine how to resolve the payroll taxes due. It is urgent the District addresses this issue to resolve what is owed to the IRS. Not only is the District incurring penalties for not filing, but the Board members can also be held personally liable for what is due. The IRS can take action against the Board members personal assets. This could possibly include filing a federal tax lien, or take levy or seizure action with the Board members. The Board needs to determine if the employees were withholding the correct payroll taxes from their paychecks. The District indicated they are using a private CPA firm to

remedy the past due taxes. It is important they supply the correct information needed in a timely manner so this can be corrected. It is further recommended the District address the following areas:

- Ensure all employees have the correct W-4 and I-9 form on file and they are filled out correctly.
- Employees which are paid hourly should be required to submit time cards which indicate the hours worked and should be approved by the Board.
- The supporting documentation should be retained on file with the District. This information supports the expense, documents the Board approval, and contains the signed perjury statement as required by the Wyoming Constitution Article 16, Section 7.



**LAPRELE IRRIGATION DISTRICT**  
**P.O. BOX 115**  
**DOUGLAS, WY 82633**  
**(307) 358-1710**

August 28, 2018

State of Wyoming Audit Department  
Attn: Mike Ruckman  
2300 Capitol Ave., 2nd Floor  
Cheyenne, WY 82001

Re: Response to Audit Report

Mike,

Thank you for your recommendations, we will be moving forward with the implementation of the findings. We will be writing polices for the LaPrele Irrigation District for future use.

We appreciate your time and efforts in assisting us. We look forward to your review in 2019.

Regards

Colt Rodeman, President  
LaPrele Irrigation District