



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

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March 1, 2016

Board of Directors
c/o Truman Julian, President
Lincoln County Predatory Animal District
409 Quartz Street
Kemmerer, WY 83101

Dear Mr. Julian:

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 Lincoln County Predatory Animal District submits the Survey of Local Government Finances (F-32 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 Lincoln County Predatory Animal District (District) was in compliance with Wyoming State Constitution and Statutes related to our audit objectives and to verify the accuracy of the F-32 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, 2014 through June 30, 2015, including the F-32 report. The following tests were accomplished during the performance of the audit.

- Interviewed the President and Bookkeeper
- Performed bank reconciliation and verification of the cash presented on the F-32 Report
- Compared F-32 Report revenues to the State of Wyoming and County Treasurer distribution reports
- Vouched all expenditures in the F-32 Report to supporting documentation and board approval
- Reviewed check gaps and general ledger accounts for unusual transactions
- Reviewed the Wyoming Department of Agriculture grant contract and supporting documentation to determine compliance with grant provisions
- Reviewed State Statutes applying to the District and compared to practices and procedures in place at the District



- Reviewed the internal controls surrounding key processes and procedures, including information technology

Based on the procedures identified above, possible violations of the Wyoming State Constitution and 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

EXECUTIVE SUMMARY

The overall fiscal responsibility and accountability for the District rests with the Board of Directors.

This audit focused on Wyoming law and how the District complied with it. The audit also determined the accuracy of the F-32 Report as of June 30, 2015 by reviewing supporting documentation. The areas specifically focused on were:

1. Internal Controls
2. Accuracy
3. Compliance

While the District had ten board members, only the President was involved with attempting to manage the District's finances. This resulted in internal control weaknesses, which ultimately led to an inaccurate F-32 Report and apparent compliance violations.

Internal Controls

Key duties were not segregated; as the contracted bookkeeper was relied upon to perform many tasks. There were also limited meaningful reviews over the financial records.

Accuracy of the F-32 Report

Cash and investments, revenues and the lack of debt were properly reported. The expenditures were inaccurate as they were significantly understated. The district used the modified accrual basis of accounting for budget purposes, but did not report expenditures incurred, but not yet paid at the end of the fiscal year.

Compliance

The board had limited knowledge of the fiscal constitutional and statutory requirements governing their special district. This resulted in the non-compliance of Wyoming law. Specifically, expenditures were not properly authorized, records were not readily available to the public, and required reports were not submitted to the County Commissioners or the Department of Audit.

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

Lack of Board Member Involvement

In fiscal year 2015, the Lincoln County Predatory Animal District received \$292,000 in revenues – 79% from the State of Wyoming and 21% from local assessments. It spent \$318,350 in accomplishing its mission of rodent and predator control, leaving a June 30, 2015 cash balance of \$348,000. While the District had ten members on its board, including a secretary-treasurer, the President was the only member attempting to manage the finances. According to the President, the other members seemed disinterested in the fiscal operations, and therefore gave him the authority and responsibility to manage the District's money.

Although the District had ten board members, only the President attempted to manage the finances. This resulted in a hired Bookkeeper to be heavily relied upon, without specific direction or policies and procedures to assist in her tasks. This ultimately led to internal control weaknesses and non-compliance of State Constitution and Statutes.

The District hired a bookkeeper to assist the President in recording transactions, making deposits, paying bills, creating budgets, completing externally required forms, and generating financial reports for the board. The limited board involvement resulted in these responsibilities being delegated to the Bookkeeper without the board fully understanding her duties and without implementing controls to identify any errors she may have made. The President felt he had other obligations to the District, which was why he relied so heavily on the Bookkeeper. The board also did not have any accounting policies or procedures to provide the Bookkeeper to assist in her tasks.

Lack of Segregation of Duties and Review

Relying solely on the President and Bookkeeper resulted in the District having internal control weaknesses surrounding its fiscal operations. The District did not segregate key functions as the Bookkeeper had custody of the revenues, custody of the checkbook, and recorded both revenues and expenditures. The board did not thoroughly review financials provided by the Bookkeeper. While the President stated he reviewed bank statements, it was unknown how often this review occurred. It also appeared there was no meaningful review of bank reconciliations and no set method or person responsible for monitoring the budget. Other board members received financial statements at the two meetings held a year. While the board was supposed to review the expenditures made during the year, an itemized list of expenditures was not presented to the board.

F-32 Report and Follow-up Paperwork

Internal control weaknesses extended to the reports required by the Department of Audit. The F-32 Report was completed and submitted without including \$61,525 in expenditures. These expenditures included \$2,175 in outstanding checks and \$59,350 in expenses incurred, but not yet paid at the end of the fiscal year. As the District kept its records using the modified accrual basis of accounting for budget purposes, this led to the understatement of expenditures by 20.3%. Per further review, it was noted these expenses were not recorded in the books until November 2015, when an accurate bank reconciliation was completed for June 2015.

No one reviewed the F-32 Report or follow-up reports prior to their submission. The follow-up paperwork was only signed in required areas out of obligation rather than certification. This was evident as the President and Secretary-Treasurer certified by signatures on the Annual Report Summary an independent third party completed the Proof of Cash, when their bookkeeper completed it. The Bookkeeper did not qualify as an independent third party according to the Department of Audit Rules (Rules). The Self-Audit was also completed by the Bookkeeper, when the Rules required it to be completed by any official not involved in the daily transactions of the entity, or an

independent third party. In addition, the President and Secretary-Treasurer certified to the best of their knowledge the F-32 Report was accurate, without performing any review of the report.

Compliance with State Law

Even though the board was responsible for the District's compliance with State law, they relied on the Bookkeeper to know and comply with the law, without providing guidance on accomplishing these tasks. It appeared the Bookkeeper was given this undue responsibility without guidance, as the board was unaware of many fiscal related statute requirements. This resulted in non-compliance of State Constitution and Statutes, which led to less protection and transparency of public funds.

The fiscal year 2015 budget, which began July 1, 2014, was not approved by the board until December 10, 2014. The President explained he had a hard time getting the board together for meetings because of the geographical distance between the board members. For the July 2014 budget hearing meeting, only three of the ten members were present, which did not constitute a

Wyoming Constitution Article 16, Section 7

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.

quorum. As a result, the expenditures paid between July and December 2014 were not legally appropriated as required by Wyoming Constitution, Article 16, Section 7. In addition, the District passed its budget by minutes, rather than resolution, and did not pass the budget within 24 hours of the budget hearing as required by W.S. 16-4-111(a).

Further, of the 28 expenditures made during the fiscal year, 26 were not certified under penalty of perjury as required by Wyoming Constitution, Article 16, Section 7, nor did they have signed

vouchers as required by W.S. 11-6-207(c). Three expenditures did not have adequate supporting documentation to justify the amount of the bill. Another three expenditures were not paid in a timely manner and one of four reimbursements did not have a reimbursement form attached to it.

While monies in the depositories as of June 30, 2015 did not conflict with law, no measures were taken to ensure deposits were in compliance with pledging and investment requirements. The President, who was responsible for the bank accounts, did not know if investments were in compliance with State Statute, nor did the board have a written investment policy, as required by W.S. 9-4-831(h). The Bookkeeper was not bonded, even though she had custody of monies, which increased the risk of loss to the district. Further, all cattle and sheep board members were bonded; however, their bonding amount of \$5,000 would not help the District remain operational if a signatory on the accounts removed all of its money from both of its accounts.

The following reporting requirements were not met as the Bookkeeper and President were unaware of related statutes:

- While the records were available upon request, the records were not available in the fashion required by W.S. 16-12-104.
- The statement of receipts and expenditures due to the County Commissioners by October 1, 2015, per W.S. 11-6-208, was not provided.
- The proposed electronic budget form was not completed or submitted to the Department of Audit and County Commissioners, as required by W.S. 9-1-507(a)(viii).

Recommendations

The board is ultimately responsible for errors or misinformation reported on behalf of the District and any compliance violations. Therefore, it is recommended the board members, especially the Secretary-Treasurer, take an active role in the district's fiscal operations. To facilitate the board members' involvement, it is recommended the board create an accounting policy. Having a written policy would help the board continue operations in the event the President was no longer willing or able to serve the district. Further, this policy could be used to communicate the district's fiscal needs to any bookkeeper, which would increase the efficiency and effectiveness of hired help. The Wyoming Special District Handbook available on the Department of Audit's website could be utilized to assist in this policy creation. Some recommendations to include in the accounting policy are as follows:

Define job duties for members of the board and bookkeeper. Separate the riskier duties of approval, recording, custody, and reconciliations between multiple people. For example, the person who records transactions should not make deposits or have access to the checkbook. Ensure every person with custody of monies is bonded at an amount consistent with the risk appetite.

Risk Appetite – The amount of risk an entity is willing to accept to achieve its objectives. For example, lower bonding amounts provides less protection and increases the risk of loss, while higher bonding amounts provides greater protection and decreases the risk of loss.

Authorized Depositories:

- Create an investment policy in compliance with W.S 9-4-831(h) and document how the board plans to ensure all deposits are properly pledged as required by W.S. 9-4-817.

Authorized Expenditures:

- No expenditure can be paid without first being legally appropriated. If a quorum cannot be met to pass a budget via resolution within 24 hours of the budget hearing, as required by W.S. 16-4-111(a), the district should call a meeting again, before any expenditure is made. The budget should be monitored against actual expenditures at least quarterly to ensure the expenditures are within budget and to identify when the budget needs to be amended, and the board should be presented with an itemized list of all expenditures made during the year.
- Perjury statements, signed vouchers, and any and all supporting documentation, including reimbursement forms if applicable, need to be obtained for all expenditures; this could be achieved by having a checklist in the policy of what is to be included with each expenditure.
- Invoices should be paid by the due date on the invoice, or according to W.S. 16-6-602, whichever is earlier. This can be achieved by running an aging report in QuickBooks at least monthly to identify invoices not yet paid.

Review of the Financial Records:

- A review of the bank reconciliation against the related bank statements is recommended to be completed at least quarterly. Reviewing bank reconciliations is one of the best methods to identify errors in the records and bank accounts. The review should be assigned to a board member other than the individual who keeps the records or makes the deposits. Having a separate individual complete the review will increase the District's transparency and its ability to identify errors or problems in a timely manner.

Reporting Compliance:

- Board members should familiarize themselves with the statutory reporting requirements of a predatory animal district. A checklist reflecting required reports and deadlines could help achieve compliance and decrease redundancies.
- No report should be certified by a board member without first reviewing for accuracy. The F-32 Report should be reviewed against financial records and bank statements. Any related follow-up paperwork should be completed in accordance with the Department of Audit Rules.
- The proposed copy of the electronic budget form must be submitted to the Department of Audit and County Commissioners no later than June 1st, as required by W.S. 9-1-507(a)(viii).
- A statement of receipts and expenditures should be submitted to the County Commissioners by October 1st of each year, as required by W.S. 11-6-208.
- As the district does not have a business office, the district should submit records to the County Clerk's office at intervals decided by the board to satisfy W.S. 16-12-104.

Lincoln County Predatory Animal District
409 Quartz St.
Kemmerer, WY 83101

May 9, 2016

Wyoming Department of Audit
Public Funds Division
Herschler Building
3rd Floor East Wing
122 W. 25th St.
Cheyenne, WY 82002

To Whom It May Concern:

The following is our response to the audit report recently presented to the Lincoln County Predatory Animal District:

Finding: There were no written accounting policies (to include procedures for emergency expenditures, reimbursements, revenue collection and depositing, grants, etc.)

Response: The district is currently working on making detailed written documentation of accounting policies and procedures. These policies will be in compliance with Wyoming state law and will help correct many of the findings in this report.

Finding: There was a lack of board knowledge and involvement in the fiscal operations of the district.

Response: The board president will try to get board members to be more actively involved and interested in the fiscal operations of the district.

Finding: The secretary-treasurer does not perform any fiscal duties.

Response: The duties of the secretary-treasurer as found in W.S. 11-6-207 will be outlined in the written accounting policies and procedures and explained to the board member serving as secretary-treasurer.

Finding: While the records are available upon request, the records are not available in the fashion required by W.S. 16-12-104.

Response: The accountant will submit electronic copies of the district's records to the County Clerk.

Finding: The statement of receipts and expenditures due to the County Commissioners by October 1, 2015, per W.S. 11-6-208, was not provided, as the bookkeeper and President were unaware of the requirement.

Response: The district will submit this statement in the future as they are now aware of the requirement.

Finding: There was no meaningful review of the F-32 report or follow-up reports prior to their submission to the Department of Audit.

Response: After the bookkeeper completes the F-32 report, she submits it to the board president and secretary-treasurer for review and signature. Whether the review by these individuals was "meaningful" is difficult to determine. The many questions asked during the audit process likely led to some confusion on the part of the board president when asked about the F-32 and other reports. In the future, the bookkeeper will do a better job of communicating to the board president and secretary-treasurer the importance of reviewing the F-32. This will also be included in the written accounting and policy procedures.

Finding: The self-audit was completed by the bookkeeper, rather than by an official not involved in the daily transactions of the entity or by an independent third party.

Response: The self-audit will no longer be completed by the bookkeeper.

Finding: The Proof of Cash was completed by the bookkeeper, rather than by an independent third party.

Response: In the future, the Proof of Cash will be completed by an independent third party.

Finding: The President and Secretary-treasurer certified to the best of their knowledge the F-32 was accurate, without performing any review of the report. They also certified an independent third party completed the Proof of Cash, when their bookkeeper completed it.

Response: It is highly likely the President did perform a review of the report, but was confused about the question during the audit process. We agree with the other finding, and the Proof of Cash will now be completed by an independent third party.

Finding: It was unknown how often the president reviewed the bank statements. No meaningful review of the bank reconciliations were performed.

Response: During the audit period, this finding was true. Currently the president reviews all bank statements. A policy about reviewing bank reconciliations will be included in the written procedures.

Finding: An accurate year-end bank reconciliation was not performed timely.

Response: This was a one-time occurrence that happened to coincide with the audit period. The bookkeeper moved to a new location at the beginning of July 2015 and the bank statements which had been coming to her house stopped being mailed. The president and the bookkeeper were not able to get the bank statements for June, July, August, or September until October, which was when the reconciliations were finally completed. For whatever reason, it was extremely difficult to get the address changed on the account and to get copies of these bank statements.

Finding: The district over reported cash by 21.3%, as they did not report outstanding items of \$61,523.40.

Response: Due to the bookkeeper moving, there were some checks written by the president at the end of June/beginning of July that were not entered into the books at the time the June 2015 reconciliation was completed. These items were entered into QuickBooks later and included in the fiscal year ending June 2015 for budget purposes. Because they were not entered by the time the F-32 was submitted, cash was over reported.

Finding: The district did not take measures to ensure they were properly pledged.

Response: The district will take measures to ensure they are following the pledging requirements set forth in W.S. 9-4-817.

Finding: The district did not have a written investment policy, as required by W.S. 9-4-831.

Response: The district will include a written investment policy in their records.

Finding: The President, who is responsible for district accounts, did not know if investments were in compliance with state statute.

Response: The President and bookkeeper are now more informed about state statute, and will ensure investments are in compliance with statute.

DOA
Comment: The cash overstatement finding was removed from the audit and audit report as the majority of the \$61.5k represented accounts payable rather than outstanding checks; therefore, cash was not overstated, but as discussed on page 5, expenditures were understated.

Finding: The bonding amount of \$5,000 would not help the district remain operational if a signatory on the accounts removed all of their money from both of their accounts.

Response: The district will look into increasing bonding amounts to ensure they match acceptable risk of loss.

Finding: The bookkeeper, who had custody of funds, was not bonded.

Response: The district will look into bonding the bookkeeper for an amount that meets acceptable risk of loss.

Finding: There is a lack of segregation of duties as bookkeeper has custody of revenues and records them.

Response: At the time of the audit this finding was true. Currently, the bookkeeper no longer has custody of revenues. The president makes deposits and sends a record to the bookkeeper.

Finding: There is a lack of board review of financials. There is substantial confidence in Jill's accuracy.

Response: At a board meeting, the president will take measures to make sure the financial statements are understood and reviewed by the board members. They are all given a copy but need to be made aware of their responsibility to review them and ask questions.

Finding: It is not clear who monitored the budget; the district president thinks the bookkeeper did; she was unable to verify this.

Response: During the audit review, the bookkeeper clarified that she does monitor the budget to ensure spending is within the budgeted amounts. When amounts are close to budget, she reports this to the president. When he has questions, he asks her. This question was not completely understood by the bookkeeper during the audit process.

Finding: Lack of segregation of duties; bookkeeper had custody of checkbook and was responsible for recordkeeping.

Response: The bookkeeper does not currently have custody of the checkbook.

Finding: Itemized list of expenditures were not presented to the board.

Response: An itemized list of expenditures will be presented to the board at future board meetings.

Finding: Expenditures were underreported on the F-32 by \$64,560.38

Response: Please see response above for the finding that cash was over reported. This is the same reason expenditures were underreported. The difference of \$3037 was recorded as helicopter expense in the prior fiscal year and the reimbursement from the State of Wyoming for this amount was recorded as an offset to helicopter expense in July 2014, rather than as revenue. The reimbursement should have been dated June 2013 for budget purposes.

Finding: The district did not submit the 'electronic budget form' to the Department of Audit, nor to the County Commissioner, as required by the Department of Audit.

Response: The district was unaware of this requirement, but will submit this form to the Department of Audit and the County Commissioner now that they are aware of it.

Finding: District was not aware of all statute requirements.

Response: The bookkeeper and president will review relevant statutes and requirements as they prepare written policies and procedures to ensure the district will be in compliance with all requirements.

Finding: The district did not use perjury statements or vouchers on 26 of the 28 expenditures.

Response: The bookkeeper was unaware this was required by Wyoming Constitution and will use a perjury statement or voucher from now on.

Finding: The district did not pass its budget by resolution.

Response: It is very difficult to get board members of the Predatory Animal District together. There were not enough members present at the July meeting to pass the budget. The president will continue to inform board members of the budget hearing to ensure enough members are present to pass the budget after the July budget hearing.

Finding: The budget was not approved until December 2014, which was more than 24 hours after the budget hearing.

Response: See above response.

Finding: Three expenditures did not have adequate supporting documentation to justify the amount of the bill.

Response: The board president felt the amounts were justified. Otherwise he would not have approved payment of the bills.

Finding: 3 of the 28 expenditures were not paid in a timely manner.

Response: All bills the board receives are paid within a few days, with the exception of some of the bills from USDA-APHIS because the president often has questions about the amounts billed to the district and it takes awhile to get answers.

Finding: The district's reimbursement form was not used for all reimbursements.

Response: Instruction about using the reimbursement form will be included in the written accounting procedures.