



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

(307) 777-7798 Fax (307) 777-5341
Email: pam.robinson@wyo.gov

Matthew H. Mead
Governor

Jeffrey C. Vogel
Director

Pamela Robinson
Administrator

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Nylla Kunard, Chairman
Sublette County/Town of Pinedale Community Impact Joint Powers Board
PO Box 709
Pinedale, WY 82941

Dear Chairman Kunard:

This audit report is issued pursuant to Wyoming Statute 9-1-507. This statute authorizes the Department of Audit to audit joint powers boards. The Sublette County/Town of Pinedale Community Impact Joint Powers Board (Board) submits its Annual City and Town Financial Report (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 objectives of our audit were to determine the Board was in compliance with Wyoming State Statutes as they relate to its operations and to verify the accuracy of the annual Survey of Local Government Finances – F-32 (Census Report).

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 was from July 1, 2013 to May 31, 2015, including the Census Report for fiscal year 2014. The following procedures were included in the performance of the audit.

- Interviewed selected members of the Joint Powers Board
- Interviewed the Town of Pinedale Clerk/Treasurer and the Sublette County Clerk
- Surveyed the Mayor of the Town of Pinedale and the Chairman of the Sublette County Commissioners
- Traced revenues to bank deposits and expenditures to bank withdrawals
- Performed reconciliations of cash balances between the Census Report and bank statements

Based on the procedures identified above, noncompliance with State laws, rules and regulation were noted. 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
Legislative Service Office
Wyoming Attorney General
Sublette County & Prosecuting Attorney
Sublette County Clerk
Sublette County Commissioners
Pinedale Town Council
Leo Riley & Co.

EXECUTIVE SUMMARY

The overall fiscal responsibility and accountability for the **Sublette County – Town of Pinedale Community Impact Joint Powers Board** rests with the governing body. This audit focused on Wyoming Statutes and how the Board complied with them. The audit also determined the accuracy of the Census Report. The areas specifically focused on were:

1. Compliance with selected Wyoming Statutes
2. Accuracy
 - Cash and Investments
 - Revenues
 - Expenditures

Compliance

There were several statutes which had not been complied with during the period of this audit. A leading cause of the non-compliance appeared to be a lack of Board oversight.

Accuracy

The Survey of Local Government Finances – F-32 (Census Report) submitted for fiscal year 2014 was incorrect and materially misstated. Revenues from the Town of Pinedale and disbursements to Sublette County of \$250,000 were not reported.

Board Should Consider Dissolution

The Board was created to provide support to the Town of Pinedale for improving infrastructure due to the expansion of the Jonah and Anticline gas fields. The original funding from tax revenues collected by Sublette County was expensed several years ago. Since then, the Board has been inactive.

The original intent of the Board appears to have been met. The stakeholders (Sublette County and Town of Pinedale) should reevaluate whether there is a current or continuing need for the Board. If not, consideration should be given to dissolving the Board.

Detailed discussions of these areas are included in the following pages.

Board Response

After review and discussion of the findings in this report, the Board and the members of the governing bodies have elected not to present a response to the audit report. In general, the members are in concurrence with the findings and intend to take the action they deem to be appropriate

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Board Should Consider Dissolution

The Board does not appear to currently serve a public need and, therefore, consideration should be given to dissolution.

History. As cited in the Joint Powers Agreement, the Board was created in 2007 “...as a result of the recent growth in the area related to the development of the Jonah and Anticline gas fields ... to facilitate and support the rehabilitation and upgrade of the Pinedale infrastructure and its facilities/services.” The funding for the Board was tax revenues from the County.

The Board, as established, was comprised of five individuals – two Sublette County Commissioners, two Town of Pinedale councilmen, and a fifth member appointed by the County Commissioners.

From discussions with current board members, the creation of the Board was deemed necessary in order to transfer funds from the County to the Town. The Board was not an active participant in the infrastructure projects; the sole purpose was to be a conduit for the transfer of funds. Once the funds had been spent, the Board essentially went inactive.

Current Activity. In 2013, Sublette County undertook a project for the construction of affordable senior housing to be located within the Town of Pinedale. The Town and County entered into a Memorandum of Understanding in which the Town agreed to contribute \$1,000,000 (in four annual payments of \$250,000). Due to the belief that the Board was necessary for the transfer of funds between the entities, payments by the Town to the County were to be made through the Board. The sole function of the Board was to act as a conduit for the transfer of funds. In each of the last two years, the sole activity of the Board there has been one deposit of and one payment of \$250,000.

There was no documentation available to justify the requirement to use the Board as a conduit.

Recommendation.

There is no known statutory requirement that prevents one government entity from directly paying another governmental entity. Also, there is no accounting rationale for the existing financial arrangements. Direct payments from the Town to the County would be more efficient.

The original intent of the Board has been met. The ongoing activities raise the question as to whether the current arrangement is in the best interest of the various elected officials’ time. The stakeholders (Sublette County and Town of Pinedale) should reevaluate whether there is a continuing need for the Board and, if not, consider dissolving the Board.

Violations of Statutes

The Board was not in compliance with several laws, rules and regulations governing the operations of joint powers boards. The primary cause of the noncompliance was a lack of oversight by the Board

When the Board was created, there was an assumption that the Pinedale Clerk/Treasurer would be an active participant in Board functions. The Clerk/Treasurer would keep minutes of meetings as well as maintain the accounting and financial records. There was no formal memorandum of

understanding that detailed what the exact duties and responsibilities of the Clerk/Treasurer and the Board oversight were to be.

Inactivity, as well as changes in personnel, has resulted in decreased emphasis of and oversight by the Board. Several instances of noncompliance with laws and regulations were noted during the audit period. These included the following.

- Elections had not been conducted for the positions of chairman, vice-chairman, secretary and treasurer. W.S. 16-1-106(b) calls for the election of these positions by the Board members.
- Meetings were not held at least once every three (3) months as required by W.S. 16-1-106(c). Records from the county clerk indicated no meetings were held between June 2014 and March 2015.
- The Board had not adopted an investment policy as required by W.S. 9-4-831(h). The policy details how the Board's money is to be deposited and invested. The current checking could be considered an investment as it does accrue interest.
- Minutes of meetings since creation of the Board could not be located. It was not known if the minutes had been thrown out by a prior board member or if they were misfiled in the town's records. W.S. 16-12-104 requires minutes to be kept of all meetings of the governing board. In addition, if the Board's business office is open to the public less than 20 hours a week, the Board is required to file copies of the minutes with the county clerk.
- A 2016 preliminary budget was not prepared and submitted to the proper officials as required by W.S. 9-1-507(a)(viii). This statute requires each special district to report to the Department of Audit and to the County Commissioners its proposed budget for the next fiscal year. The budget is to be posted on the county's website to increase awareness of the citizens of the State as to what special districts are in existence and the financial impact of the districts. If the Board was inactive, a budget showing zero revenues and expenditures should have been submitted.
- The Board failed to submit the Survey of Local Government Finances – F-32 (Census Report) timely. Department of Audit Rules Chapter 4, Section 10 requires the Census Report is due no later than September 30. The 2014 report was received by the Department on October 20, 2014.

Recommendation.

If the Board elects not to dissolve, formal policies should be written to guide officials in complying with all applicable laws, rules and regulations. The policies should identify all legal requirements and the procedures/practices to be followed to ensure compliance. For example, the chairman would be responsible for ensuring meetings were held as required and statutes are complied with.

If the Town clerk/treasurer is retained as the accountant, a formal agreement between the Board and the Town should be written detailing those duties. Even with an agreement, the Board would still be responsible for ensuring compliance with all applicable laws. The Board's policies should specify individual oversight responsibilities. As examples, the secretary would ensure accurate minutes are taken and properly prepared for Board approval;

the treasurer would likewise be responsible for ensuring accurate financial records were properly kept and funds were being properly safeguarded.

Financial Reports Inaccurate

The 2014 financial reports were not correct. The finances of the Board appeared in two primary locations: the Census Report and Sublette County's audited financial statements.

Census Report. The 2014 Census Report, which was filed with the Department of Audit, did not include the \$250,000 received from the Town of Pinedale and the subsequent disbursement to Sublette County.

The Census Report is a federally mandated report designed to collect information on government entities. The information included in the report is used by various parties including the federal government, state legislators, and constituents doing research on government operations and expenditures. Accurate information on the Census Report is necessary so users of the information have correct data for decision making. For example, should the State Legislature be conducting research on joint powers board operations, the information they would be basing their decisions on would be flawed due to the incorrect revenues and expenditures submitted.

Sublette County Audit Report. The County has an audit done annually by a CPA firm. Since a majority of the Board is appointed by the County, it is considered a component unit of the County and its financial activities are discretely presented in the County's financial statements. The County's 2014 audited financial statements did not reflect the \$250,000 receipt and disbursement.

Recommendation.

Formal procedures for preparing the Census Report should be developed to guide and assist the preparer of the report. The procedures should include a requirement for a review of the completed report by a second knowledgeable individual to ensure accuracy.

In addition, as two of the Board members are also County commissioners, they should ensure the accurate presentation of the Board as a part of their review of the County's financial statements.