

Wyoming Special District Handbook

Public Funds Division
Wyoming Department of Audit

State of Wyoming
Revised December 2015

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SECTION 1 - INTRODUCTION

The Special District Handbook for Wyoming special purpose districts has been prepared to satisfy the need for a reference and instruction manual in compliance with W.S. 9-1-507 and W.S. 9-1-510. This information is effective for periods after July 1, 2014.

A single handbook cannot incorporate the exact requirements for the numerous types of special purpose districts within state. This handbook is designed to provide a sound basic system with provisions for more sophisticated systems when needed. Districts should use only those portions of the handbook which pertain to their individual functions. Where statutory direction is given or where other regulating agencies are involved, the special district must comply as required.

This handbook is intended to be used in conjunction with the Department of Audit's Wyoming Governmental Entity Budgeting, Accounting and Reporting Manual (Manual), which can be found on the Department of Audit's (the Department) website. The Manual contains information such as a uniform chart of accounts and accounting principles, among other information necessary to generate accurate financial information, consistent with the standards established by the Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation.

For clarification regarding the accounting matters discussed the Manual, in this handbook, or matters not addressed here, officials should consult the Wyoming Department of Audit at the following address:

Wyoming Department of Audit, Public Funds
Herschler Building
122 West 25th Street, 3rd Floor East
Cheyenne, Wyoming 82002
Phone: (307) 777-7798
Website: publicfunds.wyo.gov

Quick and Easy Statute Compliance

In an effort to assist district officials with some of the more common compliance requirements and for other necessary management procedures, the following short summaries may be helpful, especially for persons new to local government entities.

Official Banks and depositories must return **cancelled checks** or scanned image of the cancelled checks. Records are not complete or auditable without these documents. Copies of all bank reconcilements must be retained as permanent records [W.S. 9-1-507(a)(i), W.S. 9-2-411, W.S. 9-2-412].

Pre-signing of blank checks, whether by facsimile or an actual signature, is prohibited. Checks should be signed only after the payee name and amounts are entered. Computerized check printing should have **documented** controls insuring that cash assets are properly safeguarded [W.S. 9-1-507(a)(i)].

Pledging of deposits over \$250,000.00 in any depository must be closely monitored by the treasurer and strictly adhered to by the financial institution with the use of an approved Joint Custody Receipt [W.S. 9-4-817 through 9-4-828].

Banking arrangements, (**designation of an official depository**), should be documented at least when a new treasurer is appointed or when elections of a new governing board has occurred or when both has happened [W.S. 9-4-806 and W.S. 9-4-817].

Receipts must be written for all money received by the district, including bank interest. [W.S. 9-1-507(a)(i)].

Travel advances are considered loans and are prohibited by the Wyoming Constitution, Article 16, Section 6.

Per Attorney General’s opinion of January 29, 1992, **expenses for travel**, unless specifically exempted in the statutes, such as Joint Powers Boards, special districts should only reimburse actual expenses documented by receipts submitted by the official or employee.

Meals (unless part of conducting business), flowers or gifts to employees are considered donations and as such are prohibited [Wyoming Constitution, Article 16, Section 6].

Minutes of a meeting are required to be recorded. All minutes where action is taken by the governing body must be published. The minutes should be signed by two officials of the special district. It is preferred the chairman sign the minutes to accept the approval and the treasurer sign to attest publishing the minutes [W.S. 16-4-403].

All bills presented for approval for payment (even if payment is denied) should be entered as part of the minutes [W.S. 9-1-507(a)(i)].

Budgets must be amended before “over-expenditures” are approved for payment and the amendment process is the same as for the original budget approval process [Wyoming Constitution Article 16, Section 7; W.S. 16-4-109 and W.S. 16-4-125(c)].

Transfers of budget appropriations, between departments, should be documented and approved via board meeting minutes.

Emergency Expenditures – Refer to the emergency meeting statute (W.S. 16-4-404(d)) in order to properly amend the budget prior to spending over the appropriated amount. While the following guidance from W.S. 16-4-114 may not be required, it is helpful guidance. “If the governing body determines an emergency exists and the expenditure of money in excess of the general fund budget is necessary, it may make the expenditures from revenues available under W.S. 16-4-105(a)(ii) as reasonably necessary to meet the emergency. Notice of the declaration of emergency shall be published in a newspaper of general circulation in the municipality.”

Transfers of money between bank accounts are not revenue or expense and should not be recorded in the journals or ledgers as such [W.S. 9-1-507(a)(i), W.S. 16-4-120 and W.S. 16-4-125].

Conflict of Interest statutes would prohibit any of the governing body members from voting on any issue that would, in any way, benefit them personally [W.S. 6-5-106 and W.S. 16-6-118].

Transfers of money between bank accounts are not “Revenue” or “Expense” and should not be recorded in the journals or ledgers as such [W.S. 9-1-507(a)(i) and W.S. 16-4-120].

Surety Bonds for special district treasurers and any other public officer having the custody of moneys must be on file with the County Treasurer before property taxes, assessments, or any other funds due the district are disbursed by the County Treasurer [W.S. 38-2-101].

Vouchers must be used by all special districts for approving payment of expenditures. The wording on the vouchers must contain the phrase “certified under penalty of perjury” [Wyoming Constitution Article 16, Section 7].

Contract Labor persons need to have a contract on file (see an attorney for appropriate contract format). If amounts paid exceed \$600, this must be reported to the IRS on Form 1099.

The only **retirement plan** permitted for political subdivisions is the Wyoming Retirement System [W.S. 9-3-427].

Statement of Investment Policy: All special districts must have on file a Statement of Investment Policy. Investments that are allowed under state law are also detailed in W.S. 9-4-831(h).

Mutual funds are not allowed as investments [W.S. 9-4-831 and Attorney General Opinion No. 85-010].

All public officials, public employees, and public member must abide by **Government Ethics** as prescribed in the Ethics and Disclosure Act [W.S. Title 9 - Chapter 13].

SECTION 2 - FISCAL RESPONSIBILITIES

Fiscal Responsibilities

The overall fiscal responsibility and accountability of a special purpose district rests with its governing body. While specific fiscal responsibilities may be given by law to specific elected or appointed officials, the governing body, through their powers to appoint, review, and prescribe rules and regulations are responsible for the overall district operations.

Generally, the state enabling statutes provide a district with its mission and give it specific direction in fulfilling that mission. These statute references are provided for each district at the back of this handbook. There are other statutes a district must also abide by, some of which are listed below:

1. Director of the Wyoming Department of Audit W.S. 9-1-500 et al
2. Facsimile seals and signatures W.S. 16-2-102
3. Uniform municipal fiscal procedures act W.S. 16-4-100 et al
4. District fiscal year ends June 30th, W.S. 16-4-125
5. Public Records W.S. 16-4-200 et al
6. Public Meetings W.S. 16-4-400 et al
7. Public Funds, W.S. 9-4-800 et al
8. Special Districts, W.S. Title 16, Chapter 12
9. Special District Elections Act of 1994 (Dissolutions) W.S. Title 22, Chapter 29
10. Wyoming Constitution

Funding Source By Type

Types of Districts	Officials – Elected or Appointed	Authority to Issue Bonds?	Funding Sources	Statute Reference
Airport JPB	Appointed by joining entities	Yes	Various, including all powers inherent to the joined entities	W.S. 16-1-101
BOCES	Elected by board of Trustees – coop entities	No	Cooperating entity support, .5 mill levy unapproved, up 2 mill voter approved	W.S.21-20-101
Cemetery	Elected officials	No	Up to 3 mills, no CC approval needed	W.S.35-8-301
Conservation	Elected officials	No	Up to 3 mill with voter approval	W.S. 11-16-101
Downtown	Appointed	Through	Up to 30 mills with approval of	W.S. 15-9-201

Development		city	property owners & city plus revenue bonds	
Drainage	Elected commissioners	Yes	Assessment, approved by District Court	W.S. 41-9-101
Fire	Elected directors	Yes	Up to 3 mills, no CC approval needed	W.S. 35-9-201
Hospital	Elected trustees	Yes	Up to 3 mills, no CC approval needed up to six mills with voter approval	W.S.35-2-401
Improvement & Services	Elected officials	Yes	Board of Directors assessment with public hearing and objections	W.S. 18-12-101
Irrigation	Elected commissioners	Yes	Assessment approved by the District Court	W.S. 41-7-101
Joint Powers Board	Appointed by Governing Bodies	Yes	Various, including all powers inherent to joining entity types	W.S. 16-1-101
Lodging Tax – JPB	Appointed officials	No	Up to 4% sales tax. Approved by district’s voters	W.S.39-6-412
Museum	Elected trustees	Yes	Up to 1 mill, no CC approval needed	W.S. 18-10-201
Predatory animal	Elected (1 poss. appt)	No	Check off fee on brand inspection @ sale	W.S.11-6-201
Recreation – City, Town, Entity	Appointed by Governing body	Yes if JPB	Up to 2 mills approved by CC	W.S. 18-9-201
Recreation – School district	Appointed by governing Body	Yes If JPB	Up to 1 mill approved by CC	W.S. 18-9-201
Rural Health	Elected officials	Yes	Up to 2 mills no approval needed by CC	W.S. 35-2-701
Sanitary & Improvement	Elected trustees	Yes	Up to 1 mill no approval needed by CC	W.S.35-3-101
Senior Citizens	Elected trustees	No	Up to 3 mill without CC approval	W.S. 18-5-101
Solid Waste Disposal	Appointed by entity commission	Yes	Up to 3 mills with no approval needed by CC	W.S. 18-11-101
Water and Sewer	Elected officials	Yes	Up to 8 mill	W.S. 41-10-114
Water Conservancy	Elected Directors	Yes	Board of directors assessment	W.S. 41-3-701
Watershed Improvement	Elected officials	Yes	Board of Directors assessment	W.S. 41-8-101
Weed and Pest	Appointed by entity commissioners	No	Up to 1 mill approved by CC and up to 1 mill additional for “special management prog”	W.S. 11-5-101

Housing Authority	Commissioners appointed by participating municipality and/or county	May borrow money	May accept federal assistance	W.S. 15-10-101
Resort District	Elected Directors	Yes	3 mills, may elect special sales tax	W.S. 18-16-101

This is not a complete list. If there are specific questions about how the district needs to comply with statutes, contact the Department of Audit. For any questions regarding elections contact the district's County Clerk.

SECTION 3 - DEPOSITORIES

W.S. 9-4-817 provides that public funds are to be kept on deposit at an official depository, unless they are invested elsewhere. Official depositories are defined as:

- a. Banks incorporated under the law of this state;
- b. National banks;
- c. Savings and loan associations incorporated under the law of this state; and
- d. Federal savings and loan associations and federal savings banks.

Many savings and loan associations have become savings banks in recent years. This change is not a reason to disqualify them as depositories.

Note: Credit unions are not authorized official depositories [W.S. 9-4-831 and Attorney General Opinion No. 85-010].

Note: This section of the manual discusses regular deposits. The Investments section identifies certificates of deposit and savings certificates as investments. Regular deposits are defined as checking accounts (either regular, Negotiable Order of Withdrawal (NOW) or money market) and savings accounts.

Depositories must be designated as such by the governing body. This designation, and the related documentation, should be **renewed at least when a new clerk is appointed, when elections of a new governing board has occurred, or when both has happened** [W.S. 9-4-806 and W.S. 9-4-817]. This is to ensure there is always a current agreement between the governing body and the board of the designated depositories. It also serves to ensure the governing body confirms the designated depository is licensed with the State of Wyoming as required by W.S. 9-4-817. Banks can frequently change ownership and the agreement must be with valid owners. The insurance provided by the FDIC can be called into question when there is not a current understanding between both parties.

Finally all deposits at an approved depository **must be fully insured** by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the depository's pledge of approved assets (i.e., assets listed in the statutes and accepted by the governing body). Surety bonds are also allowed as security for funds on deposit over the FDIC insurance amounts [W.S. 9-4-820(b) and W.S. 9-4-831].

FDIC insurance has the following limits and provisions:

- a. The insurance limits are per custodian per depository. The treasurer of the special district is the custodian;
- b. There is \$250,000 of insurance on **demand accounts**. Demand accounts are checking accounts which do not earn interest; and
- c. There is a second \$250,000 on the total amount in the interest bearing accounts. To determine how much the special district has in this type of account, the treasurer must

combine the amounts in NOW accounts, money market accounts, regular savings accounts, and certificates of deposit.

Insurance coverage by the FDIC is subject to change. The special district must be aware of the current levels of FDIC insurance coverage for both interest and non-interest bearing accounts. If the coverage changes, the entity needs to ensure the financial institution appropriately adjusts the level of collateralization so any deposit amounts over the FDIC coverage is adequately collateralized.

Documenting the Depository Relationship

Application to Serve as Depository: The first step in documenting the depository relationship is to obtain an application from the depository [W.S. 9-4-818]. The application can be as simple as a letter from the depository’s board of directors asking to serve as such. W.S. 9-4-802 requires applications for state deposits to be accompanied by a sworn statement of the depository’s financial condition. Special Districts may choose to impose a similar requirement, although there is no such provision in the statutes. The application could include an assurance the depository will pledge collateral, as required and as listed in W.S. 9-4-821, for deposits in excess of FDIC insurance limits.

Designation by the Governing Body: W.S. 9-4-818 also requires the governing body to act upon an application to serve as depository as soon after its receipt as possible. Action is simply the acceptance or rejection of the application, as reflected in the minutes of the governing body. If an application is accepted, the depository is notified to provide the governing body with its board’s resolution to serve as such.

Resolution by the Depository’s Board of Directors: After the governing body notifies the depository its application has been accepted, its board of directors shall furnish the special district treasurer with a resolution in “substantially” (to quote the statute) the form specified in W.S. 9-4-806 (presented in Appendix A, Illustration 1). This resolution must be made within 30 days of notification of the institution’s designation as an approved depository.

Bidding for Funds: In essence, there are two issues to be addressed when an approved depository bids for public funds deposits: the interest rate and the collateral (if needed). The request for bids from the treasurer should indicate the amount being made available for bid and (particularly in the case of certificates of deposit) the term of the deposit. A depository needs this information to determine what securities it should pledge to match the maturity of the deposit. Often depositories will propose collateral securities not currently in their portfolio. However, if they are the successful bidder, they will obtain the necessary securities and will be ready to pledge them at the time the deposit is made.

Collateral: W.S. 9-4-821(b) clearly states the collateral a depository plans to pledge to secure a public funds deposit is subject to the approval of the governing body. In other words, a special district does not have to accept the collateral offered by the depository, even though it is on the list of approved collateral presented in W.S. 9-4-821(a).

Since the governing body has to approve collateral, there is a potential delay while the treasurer determines whether the collateral is acceptable to the governing body. To overcome this potential problem, the governing body could require depositories to list the types of securities they intend to pledge, but not specific securities identified by the Committee on Uniform Securities Identification Procedures (CUSIP) number, in their application. Then, if the governing body accepts the application, they will approve the proposed types of collateral at the same time.

Another method would be for the governing body to develop its own list of approved collateral securities. The governing body can use the list in two ways. They can give the list to the treasurer, who then knows what securities the governing body has approved. Or, they can give it to the applying depositories, who must state in their applications they will pledge only those types of collateral on the approved list. Either way, the treasurer does not have to delay a deposit pending collateral approval by the governing body.

W.S. 9-4-804 and W.S. 9-4-805 discuss the use of surety bonds, purchased by the bank to secure the public funds deposits. A letter of credit issued from any Federal Home Loan Bank is approved collateral for security of public funds. W.S. 9-4-821 can be referenced for a specific type of security and for current changes to the listing by the legislature.

Deposits: The statutes make only one restriction with regard to the actual deposit of public funds. Never deposit funds which are not fully protected by either FDIC insurance or appropriately pledged collateral. W.S. 9-4-817(c) states all deposits must be fully insured or collateralized. In other words, the treasurer cannot deposit funds if they are not properly protected.

Form of Pledging Collateral; Joint Custody Receipts: Under the provisions of W.S. 9-4-808, collateral pledged by a depository may be received and held by the public funds depositor. However, the depositor is liable for any loss of collateral, both principal value and accrued interest.

For this reason, this form of custody is not used. Instead, collateral may be placed with a third party, which serves as custodian. Approved custodians, as described in W.S. 9-4-825, are any bank, other than the depository bank, chartered by the State of Wyoming, any national bank, other than the depository bank, authorized to do business in the State, any Federal Reserve Bank or branch thereof, or any bank which is a member of the Federal Reserve System. The public funds treasurer and the depository must agree on the selection of a custodian.

When collateral is placed with a custodian, that bank issues a joint custody receipt, which may be one of two forms. The first acceptable form is the joint custody trust receipt of the Federal Reserve Bank of Kansas City or its branches. If a bank, other than the Federal Reserve Bank (and its branches), serves as custodian, that custodian must issue a joint custody receipt in the form specified by W.S. 9-4-827(b). The Department has developed a form that satisfies the requirements of that statute (presented in [Appendix A, Illustration 2](#)). However, individual banks may print their own forms, which are acceptable **IF** they contain all of the provisions presented in this illustration.

The joint custody agreement is executed by the custodian, the depository and the treasurer. It should contain the following provisions, as detailed in W.S. 9-4-828:

1. The custodian will collect the earnings from the pledged collateral and credit them to the account of the depository, unless otherwise ordered by the treasurer;
2. The custodian will cash in matured collateral and hold the proceeds subject to the joint order of the depository and the treasurer;
3. The custodian is not responsible for the quality of the pledged collateral;
4. The custodian is not required to exercise any more care in protecting the collateral than it does in safeguarding its own securities;
5. The custodian will deliver the securities to the treasurer if it receives a verified certificate from the state banking commissioner that the depository bank has failed or refused to pay all or a portion of the deposit due the treasurer.

SECTION 4 – INVESTMENTS

Investment Policy Requirements

Per W.S. 9-4-831(h), “every” political subdivision shall have on file a “**Statement of Investment Policy.**” It is to be as restrictive as the statutes, with respect to the types of investments authorized and may be more restrictive. A smaller district without excess funds could have a Statement of Investment Policy that states, “*All available cash will be kept on deposit at the bank and no other investment is to be allowed,*” but it must be in writing and kept on file with other permanent records.

As this statutory reference continues in W.S. 9-4-831(j), it requires that the State Treasurer and the State Auditor shall: “**conduct voluntary education programs** for persons elected or appointed for the first time to any office or as an employee for any political subdivision where the duties of that office or position of employment include taking actions related to investment of public funds and shall also hold annual voluntary continuing education programs for persons continuing to hold those offices and positions of employment.”

These statutory requirements must be met by each municipality so that excess funds may be properly managed. In order for a person with little knowledge of “investments” to have some basis for understanding, the following general information is presented in this handbook. Please direct all investment questions in particular to the State Auditor’s office at (307) 777-7831 or to the State Treasurer’s Office at (307) 777-7408.

Investment Philosophy

Two factors normally come into play when a special district develops an investment philosophy or strategy. The first factor is the list of eligible investments as provided in W.S. 9-4-831. The other factor is the special district’s needs. Investments should be selected from the list of eligible investments to meet the needs of the investor.

Eligible Securities:

Once the needs have been defined, the investor can select from the investment securities listed in W.S. 9-4-831. The statute lists a number of specific investment items. New packaging and marketing tactics by investment companies will result in opportunities that do not appear, by name, in the statute.

For these reasons, the Department presents the following summary of the more commonly used items listed in the statute. This is not comprehensive. There are many other investment opportunities listed in the statute.

- a. Certificates of Deposit (CDs) – There are two considerations here. If the CD is issued by a bank, the bank must be authorized to do business in Wyoming. Authorization means the bank has either a state or national bank charter with an office in Wyoming. If the CD is issued by a savings and loan association (also known as a savings bank), there is no in-state

restriction, other than credit unions. However, in either case, the CD must be either fully insured by the Federal Deposit Insurance Corporation (FDIC) or be adequately collateralized.

- b. Treasury Bills, Notes and Bonds – The basic difference between these securities is their maturity. Bills mature in five years or less; notes in five to ten years; and bonds in more than ten years. Treasury instruments are direct obligations of the U.S. government. This category also includes stripped principal or interest obligation of such issuances. These bills, notes, or bonds must be issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
- c. Mortgage Obligations – Investments may include obligations of or fully guaranteed by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal agencies or instrumentalities.
- d. In a commingled fund of eligible securities listed in this section if the securities are held through a trust department of a bank authorized to do business in this state or through a trust company authorized to do business in this state. Be sure to see W.S. 9-4-831(a)(viii) for limitations on this option.

Two common funds were established for the purpose of allowing Wyoming governmental entities to pool their investment funds to obtain the highest investment yield, while attempting to maintain liquidity and preserve capital. Its portfolio consists solely of investments permitted by Wyoming statutes. They are as follows.

1. The Wyoming Government Investment Fund (WGIF) is a type of commingled fund used solely by Wyoming public entities.
2. The Wyoming State Treasurer's Asset Reserve (WYOSTAR) is authorized by W.S. 9-1-416 for local governments to place funds with the State Treasurer. Additional information regarding this program may be obtained from the State Treasurer's Office, telephone: (307) 777-7408.

Often, a securities dealer develops an investment package that may be attractive to a treasurer. When this happens, the treasurer should contact the State Treasurer's Office at the number above, to seek guidance regarding the package's compliance with the statutes. A treasurer should not make any investment until the governing body approves and the treasurer has determined the proposed security complies with Wyoming law.

Needs:

To determine needs, the investor must consider three primary issues:

- a. Cash Flows – When will the special district need the money the treasurer is about to invest to meet other obligations? If the money will be needed in three months, the investment should mature in three months. If, on other hand, the money will not be needed for 15 years, the investment will not have to mature until then. In short, make sure the maturity date of the investment matches the need for the money.
- b. Return – What is an acceptable rate of return (interest rate)? Risk influences rate of return. The greater the risk of loss, the greater the rate of return. However, special districts are limited by law to a list of low risk (and often lower return) investments.
- c. Market Risk vs. Inherent Risk – There are two types of risk, market risk and inherent risk. Market risk refers to the change in market value, from day to day, of any given security. Inherent risk addresses the potential the issuer of the security may not be able to redeem it (i.e., defaults). Virtually all investments are subject to market risk. Most securities authorized for investment of public funds have very low inherent risk correlating with a generally lower rate of return.

Other Considerations:

Some treasurers have asked whether they may use the services of a brokerage house such as Merrill Lynch. There is nothing in the statutes that would prohibit a government entity from using these professionals. However, W.S. 9-4-817 states “To the extent they are not otherwise invested, the monies collected and held by a treasurer...shall be deposited...in [banks or savings and loan institutions] doing business in the state...” The statute has a number of other stipulations regarding designation by the governing body and insurance and collateralization of accounts. It is important to note that **brokerage houses are not considered depositories**. They cannot maintain an investment account for a governmental entity to help facilitate transactions. The special district must have another type of payment system, such as wire transfer, in order to effect transactions with a brokerage house.

Further, governmental entities **cannot invest in mutual funds**. Mutual funds should be thought of as private corporations that own qualifying securities (such as treasury notes). The investor in a mutual fund is buying the rough equivalent of stock in that private company. Investment in private companies by governmental entities is prohibited by Article 16, Section 6, of the Wyoming Constitution. A governmental unit must have an identifiable ownership interest in qualifying investments. This concept is key to the acceptability of certain investment programs available in the state. The WYOSTAR and WGIF programs, discussed earlier in this section, are structured in such a way to meet this ownership requirement. There may be other programs developed by brokerage companies that will also qualify. Questions regarding those programs should be directed to the State Treasurer’s or the State Auditor’s offices for guidance per W.S. 9-4-831(j).

SECTION 5 – PAYROLL

To remain in compliance with the State of Wyoming and the Internal Revenue Service (IRS), entities must complete and file a number of reports at various intervals throughout the year. Failure to make timely deposits for payroll tax liabilities and failure to report can be costly in penalties and interest to a special district. Several of the more common reports required to be filed are listed below. For forms and specifics change, please refer to the current instructions for each form in the time period when they are to be filed.

Employer's Quarterly Federal Tax Return (IRS Form 941) – This report is filed quarterly with the regional office in Ogden, UT. In most cases, it is filed electronically. It reports, in summary totals, the wages, salaries, Federal Income Tax withheld and the FICA withheld from each employee paycheck. The employer's share of FICA is separated by Social Security and Medicare and is also included on this report. This report is due the last day of the month, after the end of the quarter (i.e., July 31, October 31, January 31, and April 30).

At the end of each quarter, the entity must prepare a reconciliation between the amount of payroll deposits in the bank and the IRS Form 941. In addition, there are schedules for how often payroll deposits must be made. These schedules are found in the payroll liabilities instructions of IRS Form 941.

If the IRS returns the submitted Form 941 for corrections related to the payment or withholding of Social Security Taxes (FICA) and states a Section 218 agreement is not on file, it will be necessary to speak with the Wyoming State Retirement System. They are able to amend the agreement and resolve the problem.

Wage and Tax Statement (IRS Form W-2) – These are the familiar forms that every employee receives at year end, reporting the amounts earned and withheld for taxes and any other tax generating information requested by the IRS. They are computer matched by the IRS and Social Security to the Form 941 above. Therefore, it is very important this form, the deposits, and the Form 941 all agree at year-end.

The cover document for transmittal of the individual W-2s is the Form W-3. The total FICA withheld, the total FED Tax withheld and the total wages and salaries must equal the summation of the corresponding items of the quarterly 941 reports. Any exceptions usually require a time consuming, sometimes penalty generating, explanation.

Employment Eligibility Verification (USCIS Form I-9) – Employees (including governing body members and elected officials) must complete a Form I-9 to document verification of the identity and employment authorization of each new employee (both citizen and noncitizen) hired after November 6, 1986, to work in the United States. There are three sections to the form and employers may be fined if the form is not complete. Employers are responsible for retaining completed forms. Newly hired employees must complete and sign Section 1 no later than the first day of employment.

Employers must verify and retain a copy of the identification used to verify identity, as required by the instructions of the Form I-9.

Employee's Withholding Allowance Certificate (IRS Form W-4) – Employees must complete this form so the employer can withhold the correct federal income tax from the employee's pay. This form must be on file.

Miscellaneous Income (IRS Form 1099) – Some special districts may hire a person to work on a contract basis. In these situations, the IRS has regulations to determine if the person technically is considered contract labor, rather than an employee. Employers must strictly adhere to these regulations; otherwise the person may be considered an employee, not contract labor. Having a contract labor person switched to an employee can result in additional payroll costs that are now due and most likely, penalties and interest on unpaid payroll liabilities. Be sure to know the current IRS rules and regulations in regards to contracted labor, including how much earnings have to be reported on a Form 1099 at year-end.

Workers Compensation – This program provides insurance coverage for injuries received while the employee is working. Not all workers are required by the State of Wyoming to be covered by the insurance, but the type of work done does determine the classification for insurance purposes. Information is available from the Department of Workforce Services, Workers Compensation Division, 1510 East Pershing Blvd, Cheyenne, WY 82002. Phone: (307) 777-5476. Reports and payments are submitted monthly.

Unemployment Compensation – This coverage is paid by each employer and provides employees with some income if they should lose their job through no fault of their own. Reporting is on a quarterly basis and more information can be obtained from the Department of Workforce Services, Unemployment Tax Division, P.O. Box 2760 (100 West Midwest) Casper, WY 82601. Phone: (307) 235-3264.

Retirement Plan – The only retirement plan that is legally available to special district employees is participation in the Wyoming Retirement System [W.S. 9-3-427]. Current information on the plan is available from their office at 6101 Yellowstone, Suite 500, Cheyenne, WY 82002. Phone (307) 777-7691. Payments into the plan are made on a monthly basis.

Deferred compensation – This is similar to a 401k plan except it is for government and non-profit employees. Compensation can be set aside for retirement, invested and tax-deferred until it is taken out. For more information contact Wyoming Deferred Compensation, 6101 Yellowstone Rd, Cheyenne, WY 82002. Telephone: (307) 777-7691.

SECTION 6 – MEETING MINUTES

Minutes of Governing Body Proceedings

The minutes of the governing body proceedings are the fundamental communication between the governing body and the assessment (or tax) payers. With these users in mind, the Department of Audit created a suggested meeting minute's format.

To make the minutes easier to read, they should be prepared using topic and sub-topic headings. The importance of the topics lies not in the order in which they were discussed but rather in the subject matter. As such, proceedings may or may not be transacted in the order in which they are presented in the suggested format. Further, the topic and sub-topic headings listed below, should only be shown if they were discussed during the meeting.

For information regarding statutory requirements for minutes please refer to W.S. 16-4-202, W.S. 16-4-401 through 408, and W.S. 16-12-104.

Suggested Meeting Minutes Format

- 1. Minutes of (Governing Body) Proceedings**
- 2. Members Present, Date and Time of Meeting and Location**

The first paragraph should state:

- a. Names of the members of the governing body who are present or absent
- b. Date and time of the meeting
- c. Location where such meeting was held.

- 3. Approval of Prior Meeting Minutes**

The second paragraph should contain the approval of the minutes of the previous meeting. The president or chairman of the board and the treasurer should both sign the minutes, once approved by the governing body.

- 4. Bids for Approval**

Each bid item considered should be shown as a subtopic, such as car, pickup, mowing machine, etc. Under each subtopic the name and amount bid by each bidder should be shown. The action of the governing body should be shown (contract awarded, tabled, or all bids rejected). If any bids are rejected, detailed reasons for the rejection should be stated. If the contract is awarded to a bidder other than the lowest bidder, the reasons for the choice should be clearly stated.

Items on which bids were opened and listed at a previous meeting only need to show the action taken by the governing body under the respective subtopic heading.

5. Claims Approved and Rejected

Each claim approved should be listed showing the date of the claim, the claimant, the goods or services provided and the amount. All claims rejected should be shown as above followed by the reasons for rejection.

6. Resolutions

A sub-topic heading briefly stating the subject of each resolution should appear prior to the description of the action taken.

7. Other Agenda Matters and Action Taken

Each agenda item projects, reports, etc. should have a topic heading preceding the description of each matter discussed by the governing body. Motions made and whether the matter is approved or disapproved by vote should be included with the agenda item.

8. Approval of Adjournment

The last paragraph of the minutes should include the approval for and time of adjournment.

SECTION 7 – RECORDS MANAGEMENT

General

Each special district is required by law to retain its public documents for the periods of time as set forth in the records retention schedules approved by the State Records Committee [W.S. 9-2-411 and W.S. 9-2-412]. The approved schedules are compiled for use by applicable governmental agencies.

The Archives Section of the Wyoming Department of State Parks and Cultural Resources can provide copies of records retention schedules applicable to districts. These schedules are guidelines for destroying or permanently preserving specific records. Compliance with these guidelines (i.e., the retention schedules) protects the governing body and the designated records officer from complaints of misconduct when records are retained or destroyed in accordance with them.

The retention schedules identify types of records that are obsolete and eligible for destruction. Thus, following their provisions can reduce the need to spend scarce resources for storage equipment, space and human resources needed to maintain the records [W.S. 9-2-401 and W.S. 9-2-410].

Confidential records

Records containing confidential information should be properly destroyed by burning or shredding, with the process witnessed by the records management officer.

Permanent records

Records scheduled as permanent should not be destroyed, even if they are scanned or the information they contain is entered into a computer system. The State Archives is available to assist the District concerning any plan that would affect permanent records. If storage conditions or space is a problem, records can be transferred to the State Archives. Such transfers will not break the legal chain of custody.

Microfilm Systems

By law, any agency adopting a microfilm system shall consult with the State Archives. Approval of the process must be obtained if permanent records are being filmed. Agencies are required by law to comply with microfilm standards established by the Archives. Standards can be obtained by writing the State Archives [W.S. 9-2-406 and W.S. 9-2-413].

Electronic records

Digital files should be deleted from the folders. Be sure to empty the desktop “trash” or “waste basket.” For floppy disks and back-up tapes, it is recommended a physical destruction method be used (e.g. burning or shredding).

Additional Information

When requesting publications or have any questions, please contact:

Wyoming State Archives
Parks and Cultural Resources
Barrett Building
2301 Central Ave.
Cheyenne, WY 82002
Phone: (307) 777-7826

SECTION 8 – REPORTING REQUIREMENTS

Wyoming State Statute has many important time sensitive requirements throughout the year. The following checklist include many of those important due dates for which a special district must meet in regards to budgets, taxes, and financial reporting. It is important to note the items in this checklist may not include all time sensitive requirements. Please refer to the Legislature of the State of Wyoming’s website for all State Statutes and Constitution.

Refer to the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual for additional budget requirements regarding the preparation, adoption, and execution of the annual budgetary process.

Illustration 1 – Special District Reporting Calendar and Checklist

Dates	Function in Budget Preparation and Filing	Completed?
May 1	All departments are to submit budget requests to the budget officer no later than this date [W.S. 16-4-104(a)].	
May 15	On or before this date, the budget officer shall prepare a tentative budget for each fund and file the budget with the governing body [W.S. 16-4-104(a)].	
June 1	Beginning 2014, each special district in this state, no matter how formed, except districts created by and subject to administration by the courts, is required to report to the department and to the board of county commissioners of the county where the special district is located its proposed budget for the next fiscal year. The report shall be made not later than June 1 of each year [W.S. 9-1-507(a)(viii)].	
1 week prior to hearing date	The governing body shall publish a summary of the proposed budget at least one week before the hearing date in a newspaper having general circulation if there is one or post the notice in three conspicuous places [W.S. 16-4-109].	
No later than five (5) days after the third Thursday in July	For all special purpose districts having the power to levy or require the levy of taxes shall hold a budget hearing not later than five (5) days after the third Thursday in July except as hereafter provided [W.S. 16-4-109].	

No Later than the Day AFTER the budget hearing	Within twenty-four (24) hours of the conclusion of the public hearing under W.S. 16-4-109(b), the governing body by resolution, make the necessary appropriations and adopt the budget, which, subject to future amendment, shall be in effect for the next fiscal year or two (2) fiscal years pursuant to W.S. 16-4-104(h).	
	The final budget must be provided to the county commissions for posting to the county’s website [W.S. 18-3-504(d)].	
July 31	The tax levy to be imposed shall be certified by the county commissioners on or before this date [W.S. 39-13-104].	
September 30	Complete and submit to the Department of Audit, the required Survey of Local Government Finances (F-32 or F-66(WY-4)), prior to September 30. After September 30, the report is DELINQUENT [W.S. 9-1-507(a)(vii)].	
December 31	Complete and submit to the Department of Audit any additional oversight paperwork required by the Department of Audit’s Public Fund’s Rules, if applicable.	

Legal Filing and Auditing Requirements

Financial Reporting

Special districts have to report their financial condition in order to provide meaningful information regarding their activities to their taxpayers. In addition, it is important to gather this financial data for third parties who have an interest in how and where public funds are spent, such as the Census Bureau, the Department of Audit, State Loan and Investment Board and others. Further, based on the financial information provided by special districts, decisions are made about the amount of public funds “at risk.” Depending on the risk level, an “oversight process” may be activated.

1. Survey of Local Government Finances (F-32 or F-66(WY-4))

Under the authority of W.S. 9-1-507(a)(vii) and all the Department of Audit Public Fund Division’s Rules on file at the Secretary of State’s Office, **all special districts are required** to file the Survey of Local Government Finances (Form F-32 or F-66(WY-4)) by **September 30th of each year** with the Department, even if the district provides an audited CPA report. The report is not only used by the Department, but also by the U.S. Bureau of the Census to develop comparative financial information for all special districts. It is also used for any special reporting to the legislature when requested.

The forms are designed in cooperation with the Bureau of Census and are intended to be a simplified financial report. The financial information is not intended to be presented in conformity with generally accepted accounting principles (GAAP). However, the personnel completing the form should follow the instructions very carefully to insure uniformity with responses from other districts.

Since the Department of Audit and the Census Bureau use this data to make meaningful comparative analyses, the reports must be accurate and filed in a timely manner (**no later than September 30th of each year**) with the Department. If the personnel completing this form have any questions regarding this form, they should contact the Department of Audit’s Public Funds Division, Local Government Programs.

Filing and Publishing of F-32 or F-66(WY-4) – Under the provisions of W.S. 9-1-510(b), a copy of this report shall be filed with the Department within 90 days after the end of each district’s fiscal year (i.e., **September 30th**). The Director of the Department of Audit under W.S. 9-1-507(j)(ii) shall certify to the board of County Commissioners and to the special district by October 5th of each year any special district in the county, no matter how formed, which has failed to submit their report.

If, by November 30 of that same year, the district has failed to submit the report, the Director of the Department of Audit shall file notice with the County Commissioners, the County Treasurer and the County Clerk. The County Commissioners shall place a public notice in a newspaper of general circulation in the county indicating the special district is in danger of being dissolved due to failure to comply with the legal reporting requirements. The County Commissioners shall assess the special district the cost of the public notice. The County Treasurer shall withhold any further distribution of money to the district until the Department certifies to the County Treasurer that the district has complied with all reporting requirements. If the special district fails to file the required report on or before December 30 of that same year, the County Commissioners shall seek to dissolve the special district in accordance with W.S. 22-29-401 et seq.

2. Additional Oversight Requirements

Based on the revenues received or expenditures made during the fiscal year under review, a special district may be required to submit additional oversight paperwork to the Department, based on W.S. 9-1-507(a)(iii)(A-D). The level of risk assessment for each entity shall be determined each fiscal year. **Any and all applicable oversight paperwork** is due to the Department **no later than December 31st of each year.**

The levels, based on the total annual revenue or expenditures, whichever is greater.

Additional Oversight Procedures Per Level of Risk Assessment		
Level of Risk Assessment	Total Revenues or Expenditures	Additional Oversight Required
Any Level	Over \$750,000 in Federal Funds	<ul style="list-style-type: none"> • A-133 Audit
Level A	Over \$1,000,000	<ul style="list-style-type: none"> • Annual Report Summary • CPA Audit
Level B	\$500,000 to \$999,999.99	<ul style="list-style-type: none"> • Annual Report Summary • CPA Review
Level C	\$100,000 to \$499,999.99	<ul style="list-style-type: none"> • Annual Report Summary • Self-Audit • Internal Control Evaluation

		<ul style="list-style-type: none"> • Proof of Cash
Level D	\$25,000.01 to \$99,999.99	<ul style="list-style-type: none"> • Annual Report Summary • Proof of Cash
Level E	\$25,000 or less	<ul style="list-style-type: none"> • F-32 or F-66(WY-2) only

A. A-133 Audit

Any entity receiving \$750,000 or more in federal financial assistance for the fiscal years beginning on or after December 26, 2014 (\$500,000 for fiscal years beginning prior to December 26, 2014) must have an independent Office of Management and Budget's (OMB) Circular A-133 audit. In order to determine if an entity has received \$750,000 or more in federal assistance, the entity should contact its grant manager. The federal assistance is usually, but not always, in the form of recreation grants, Community Development Block Grants (CDBG), Job Training Partnership Act (JTPA) funding, and Environmental Protection Agency (EPA) grants for water and wastewater. The federal Single Audit Act of 1984, as amended imposes this requirement and the related rules are presented in the OMB Circular A-133, Audit of State, Local Government, and Non-Profit Organizations.

OMB Circular A-133 audits should be submitted to the Federal Audit Clearinghouse no later than nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. No State Statutes provide for the Department of Audit to contract for and withhold state funds to pay for such an audit; however, the federal granting agencies would most likely refuse to make further grants to a community that does not satisfy this audit requirement. In the most extreme instances, the federal government could require the return of grant monies already used by the recipient.

B. CPA Audit

CPA audit must be in accordance with Government Auditing Standards. Entities required to have a CPA audit must, at a minimum, report their annual financial condition and results of operation in conformity with GAAP, as required by W.S. 9-1-507(c). The audits are to be conducted in accordance with generally accepted auditing standards (GAAS), as promulgated by the Auditing Standards Board (ASB), a division of the American Institute of Certified Public Accountants (AICPA) and generally accepted governmental auditing standards (GAGAS) (also known as Yellow Book), as produced by the Government Accountability Office (GAO) [W.S. 9-1-507(c)].

Cash basis financial statements, rather than accrual basis, may also be prepared by a CPA and accepted by the Department of Audit if the opinion is appropriately modified. Question on financial statements may be directed to the Public Funds Division at the Department of Audit. The CPA selected to complete the audit should be experienced in doing governmental audits. Please call the Department of Audit, Public Funds Division if assistance with the process of engaging an accountant is needed to provide these services.

Refer to the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual for the required financial statements, for which formats are set forth in Governmental Accounting and Financial Reporting Standards, published by the GASB.

C. CPA Review

A higher level of service, such as an audit may be used to satisfy this requirement, as long as the following additional procedures are performed.

1. The notes shall disclose any failure to comply with state statutes requiring documentation of a depository relationship between the entity and any depository and other procedures which may be required or approved by the Director and are identified prior to the commencement of the engagement.

D. Self-Audit

A self-audit, which shall, under the direction of such officials, is performed by an independent third party, who is not a person or immediate family member of a person who has authorization, record keeping, or custody rights, over the reporting entity or by any official not involved in the daily transactions of the entity. The independent third party may not be a signor of the entity's checks. Suggested self-audit procedures are available in Section 9 of this handbook and are meant to verify the correctness of transaction recording and to provide management with reasonable assurance assets are adequately safeguarded.

E. Internal Control Evaluation

An internal control evaluation, which shall be completed by officials, as it relates to the audit and review procedures, means and includes:

1. A documented analysis of the procedures established by the reporting entity to assure that financial transactions are properly recorded.
2. Tests of the system sufficient to determine whether the system, and compliance with its procedures, provides reasonable assurance that the entity's assets are safeguarded and that liabilities are accounted for; that public funds are used in accordance with laws, regulations, and policies; that resources are safeguarded against waste, loss, or misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.
3. A written summary of deficiencies in internal control significant in context to the audit objectives discovered and corrective measures, which should be implemented.
4. For the internal control self-evaluation of those entities not required to have an independent accountant (CPA) audit or review, the Internal Control Evaluation Worksheet as provided by the Department and updated on an annual basis, may be used in fulfillment of this procedure.

F. Proof of Cash

A proof of cash is similar to a bank reconciliation, except more extensive and detailed. It is used to verify the "books of the entity" are in agreement with the cash transactions which have been recorded by the bank. This procedure shall be performed by an independent third

party, who is not a person or immediate family member of a person who has authorization, record keeping, or custody rights, over the reporting entity.

G. Annual Report Summary

Is a checklist which requires certification by two authorized representatives of the entity. The checklist shall contain a certification statement. The authorized representatives shall verify under oath the information contained in the report is a true, accurate, and complete presentation of the financial activities of the reporting entity.

A CPA Audit or review may be done in place of any of the lesser procedures. Please submit to the Department of Audit two (2) copies of any audit or review report.

Note: The Annual Report Summary, Proof of Cash, and Self-Audit, including the Internal Control Evaluation, are available on the Public Funds' website. Even if the Department does not contact the entity to submit the appropriate follow-up paperwork, the entity is still solely responsible for its completion and submission to the Department, no later than December 31st.

Please Note: **Irrigation and Drainage Districts** must comply with the requirements, as shown in the Wyoming Statutes for all financial procedures, for their districts. Each district must then submit the required proof of compliance to our office along with a written request for a waiver, or a waiver will not be allowed.

SECTION 9 – SUGGESTED SELF-AUDIT PROCEDURES

A self-audit may help a governing body discover potential issues, which then may lead to the body hiring a CPA to perform additional procedures. Types of services a CPA may provide are described in Section 11 of this handbook. A governing body may include these testing procedures to facilitate an independent third person's performance of a self-audit. In addition to these tests, the governing body should perform an internal control self-assessment. Refer to the Internal Control Section 10 of this handbook for further internal control explanation.

The following are types of testing relating to higher risk items (cash, investments, and capital assets).

1. Cash receipts

- A. Assessments and Property Taxes** – A governing body can perform an analytical review of the entity's revenue (receipt) reports, since these revenue amounts are fairly well established and relatively stable year over year. The entity's revenue reports should present the budgeted current year, actual current year, and prior year balances. The reports should show each type of tax or assessment fee separately, so offsetting variations will not give misleading results.

Every significant fluctuation should be investigated and supported by explanation and documentation. Fluctuations without reasonable explanations should be researched further, as it could be a sign of fraud. The governing body should develop its own definition of "significant."

Investigative procedures may include one or more of the following:

- a. Directly contact tax or fee payers, asking whether there has been some sort of change which explains the variance.
 - b. Consider changes in economic conditions that might impact the variance.
 - c. Compare receipts per bank statements with receipts recorded in the receipts journal, for possible unrecorded items or items posted to the wrong revenue account.
- B. Grant and loan proceeds** are subject to large variations from year to year, depending on the number, size and activity of the related projects. As a result, comparisons to prior years are meaningless. Possible Audit procedures include:
- a. Develop a list of projects being funded (in whole or in part) by grant and loan proceeds. The list should identify receipts by individual grant or loan number.
 - b. Confirm (by letter or telephone) the amount remitted by the grantor/lender.
 - c. Compare amounts received with reimbursement request submitted to the grantor/lender. The governing body may also trace information on the reimbursement requests to the underlying invoices and payment (a procedure which will be discussed in greater detail in the disbursements portion of this section).

C. Interest and other investment income relate directly to the underlying investments. The most common test is one for reasonableness. Multiply the total amount invested by the average rate of return (interest rate). If the result does not agree, within reason, with actual revenues, the variance must be investigated. Possible procedures include:

- a. Have the treasurer (who is charged by statute to make the investments authorized by the governing body) prepare a list of investments, showing amount, rate of return, date of acquisition, and dates of earnings distributions.
- b. Confirm the information on this list with the issuers of the investments.
- c. Compare the information on this list to actual receipts and deposits of earnings.

D. Utilities Revenues, like taxes and licenses, are usually consistent from year-to-year. The analytical review (reasonableness test), as described above in the Assessments and Property Taxes section, can be applied to the utility revenues, as well. The most likely reason for change is a rate change ordered by the governing body. Then, it is a simple matter of comparing the rate change to the revenue change (in percentage terms).

However, utility receipts are also the most susceptible to loss, simply because of the large volume of transaction. Because of this problem the governing body should consider the occasional application of some of the following procedures:

- a. Randomly select some utility customer account files for inspection. Be sure to select files for all categories of customer.
- b. Inspect the files for correctly calculated and recorded changes.
- c. Make sure payments are credited to the file are deposited in the bank. Trace backward from the customer record, to receipt, to the bank deposit record.
- d. Consider confirming with customers what their balances are. This procedure becomes especially important in the case of delinquent accounts.
- e. Require a monthly report of delinquent utility accounts.

E. Other Revenue - Most other types of revenue a district receives have certain attributes in common with one or another of the revenue types described above. The governing body should do similar analyses of these revenues and apply the appropriate procedures to determine the reason for any unusual variances.

As a result of the analysis presented above, the governing body has also given itself some assurance receipts are properly classified within the cash receipts journal. If they are satisfied the journal is reasonably correct, statements taken from that journal should also be reasonably correct.

2. Cash disbursements

State law requires the governing body to do a certain amount of disbursement auditing as a matter of regular routine. Article 16, section 7 of the Wyoming Constitution stipulates that “no bills, claims,....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.....(s) whose duty it may be to audit the same.” It is implicit that the governing body must make certain a claim is certified before they approve the payment. Thus, the governing body must review and determine the amount allowed on each claim for payment.

A. Reviewing Presented Claims – In most cases the governing body reviews a list of claims compiled by the treasurer and approves the list for payment. This review should include the governing body inspecting the actual bills to make certain they are properly certified and agree with the claim list. The governing body should decide on the best method for their district to perform such a review. For instance, rather than each governing member reviewing each claim, a sample of claims may be reviewed. Another option, one governing member may review all or a sample of claims at a time. If the governing body chose this method, the governing members performing the review would rotate. When reviewing claims, the objective is to become satisfied a claim is valid and appropriate. To achieve this objective, a reviewer should apply the following questions to each claim:

- a. Is the claimant known? *If the claimant is not known, independently confirm its existence by referring to the telephone book or the internet. Do not rely upon the address printed on the bill.*
- b. Is the governing body aware the special district is conducting business with this claimant?
- c. Is there any proof the product or service was received by the special district?
- d. Is the bill mathematically correct? *Does the quantities multiplied by the unit prices compute correctly? Does the total sum correctly? Note: Do not assume a bill is correct just because a computer prepared it. While computers rarely make computational mistakes, formulas could have been entered into the system incorrectly.*
- e. Does the correct bill total agree with the amount on the claims list submitted to the governing body?
- f. In the case of payroll checks, does the gross amount agree with the employee’s authorized pay rate?
- g. Is the claim certified under penalty of perjury?

The member(s) who make this review before each meeting may then make a “committee report” to the governing body stating they have reviewed the list of claims to be paid, and the claims satisfied the tests listed above. The rest of the governing body can then review the list, ask whatever questions they might have, and the entire list can be approved for payment.

Note: Under no circumstances, should any payment ever be made without prior approval by the governing body (except a petty cash disbursement). For boards that meet only once monthly, payment timing can create a problem. To avoid late payments penalties, some utility bills could be pre-authorized by the board and paid before the whole board can approve the bills in a regular meeting. These bills should be reviewed by at least one board member before payment, even if they have been authorized as a “prepaid” by the board as a whole. The board chairman should also request that the actual bill be presented, with

the check for his signature, for these bills. Also, no authorized check signer should ever sign a check before it has been fully completed with the name of the payee and the payment amount.

- B. Reviewing Correctness of Payments Made** – In addition to testing for the propriety of the bills, as described by the review procedures above, governing body members need to review the correctness of the payments (paid amounts). The following procedures address that need:
- a. Select items from the list of approved bills and inspect the canceled checks in the bank statement which paid them, to make sure the payee and amount agree, and there is no indication either of these entries shows any signs of alteration. (This test makes sure the payments are made in accordance with official authorization.)
 - b. Select some canceled checks from the bank statements and find the items they paid on the list of approved bills. (This test looks for unauthorized disbursements.)
 - c. Inspect canceled checks for authorized signatures, either the board chairman or president, the treasurer or his designated substitute. (This also tests for unauthorized disbursements.)
 - d. Decide whether the expenditure is charged to the correct account and fund. (This test is to evaluate the reliability of the cash disbursements journal. Remember: The budget is the district's legal authorization to expend funds; thus one way to disguise unauthorized expenditures is to charge them to accounts with budget surpluses.)

As a result of the analyses presented above, the governing body has also given itself some assurance disbursements are properly classified within the cash disbursements journal. If they are satisfied the journal is reasonably correct, statements taken from that journal should also be reasonably correct.

3. Cash and Investments

Cash and investments are, by their nature, the assets most easily misappropriated or lost. For this reason, the governing body must make certain tests **to verify the existence** of these assets.

Warning: The tests presented below are valid only if the receipts and disbursements tests presented above have also been applied. The tests presented below are designed to determine if all cash and investments are accounted for, not whether all money received was deposited or all money disbursed was done so legitimately.

A. Review bank reconciliations

Obtain the bank reconciliations from the treasurer and perform the following test. Please note the reconciled balance of a bank account, which is called the book balance, should agree with the balance on general ledger. If it does not, an error has occurred. The error must be located and corrected prior to approving the reconciliation. See Proof of Cash section below for guidance.

- a. Inspect the bank statement for any signs of alteration.

- b. Compare the ending balance on the bank statement to the one used in the reconciliation and ensure the two agree.
- c. Examine the reconciliation for any deposits in transit. Deposits in transit are deposits showing in the receipt journal which do not appear on the bank statement, since they were recently deposited. If there are any such items, ask the treasurer for an explanation. In the following month's review, ensure the deposits in transit from the prior month cleared the bank statement in the following month.
- d. Review the list of outstanding checks. Outstanding checks are checks that have been issued per the cash disbursements journal but have not been withdrawn from the bank as of month's end. In the following month, ensure the bank statement shows the debit (withdrawal) of the outstanding checks. If the check has not been withdrawn from the bank in the following month, the governing body should contact the payee to resolve the issue.
- e. Inspect the reconciliation for any other reconciling items and determine their nature, explanation, and appropriateness.
- f. Once the reconciliation has been reviewed and found to be mathematically correct, make sure each item on the statement has supporting documents (canceled checks, other charges, credits, or deposits). Performing this review helps to limit any unauthorized disbursements or transfers to another account.

B. Proof of cash

The most common way of locating an error in an operating account is through the use of a proof of cash. Use this analysis and the bank reconciliation to identify any errors in the journals and ledgers. The basic formula is as follows:

$$\begin{array}{r}
 \text{Beginning reconciled cash} \\
 + \text{ Adjusted cash receipts} \\
 - \text{ Adjusted disbursements} \\
 \equiv \text{ Ending reconciled cash}
 \end{array}$$

The key to working with the proof of cash is determining the correct amounts for adjusted receipts and disbursements. The idea here is to reconcile total receipts or disbursements per the bank statement to the related journal.

a. Formula for adjusted receipts:

$$\begin{array}{r}
 \text{Receipts (e.g., deposits) per current bank statement} \\
 + \text{ Deposits in transit per the current month's bank reconciliation} \\
 - \text{ Deposits in transit per the prior month's bank reconciliation} \\
 +/- \text{ Other reconciling bank items} \\
 \equiv \text{ Receipts per the receipts journal}
 \end{array}$$

b. Formula for adjusted disbursements:

$$\begin{aligned}
 & \text{Disbursements (e.g. checks clearing) per current bank statement} \\
 + & \text{ Outstanding checks per current month's bank reconciliation} \\
 - & \text{ Outstanding checks per prior month's bank reconciliation} \\
 +/ - & \text{ Other reconciling disbursement items} \\
 = & \text{ Disbursements per the disbursement journal}
 \end{aligned}$$

Usually, the “other reconciling items” shown in these formulas have not been recorded in the receipts or disbursements journal. These items must now be recorded in the appropriate journals and posted to the general ledger.

C. Investments

The treasurer should maintain a listing of investments as described in the “Interest and other investment income” portion of the Cash Receipts section. The governing body should use that list as a starting point to do the following procedures:

- a. Inspect the original, not copies of, investment documents to determine if the investment really exists.
- b. Inquire of the issuer whether the district actually owns the listed investment.
- c. Perform an analysis similar to the proof of cash (above) to determine changes in the investment portfolio. Trace (i.e. follow the cash portion of the transactions) all changes to the appropriate journals. If an investment is cashed in, there should be a deposit to the bank account. If one is acquired, there should be a check recorded in the disbursements journal.

D. Inventories

Inventories for districts usually refers to supplies used in public utilities operations that have a significant dollar value, such as water meters, or goods for resale such as the Weed and Pest Districts maintain. However, the audit procedures presented below can be applied to any inventory type item.

The important consideration when testing inventory is the potential loss to the district. For instance, inventories with small dollar values probably are not worth the time or effort to audit, as compared to inventories with larger (material) balances. As such, the governing body must determine which inventories represent significant investments to the district.

The basic objective when testing inventories is to determine whether inventories are susceptible to unauthorized use. The following procedures can help meet this objective.

- a. Perform a physical count of all inventory items.
- b. Determine what records (reports) are prepared for receipt (purchase) and issuance (sale) of inventory items.

- c. Using the receiving and issuing reports, perform a test to determine whether the inventory is reasonable based on the supporting documentation. To do this, use the following formula:

$$\begin{array}{r}
 \text{Beginning inventory} \\
 + \text{ Inventory received} \\
 - \text{Inventory issued} \\
 \hline
 \hline
 \text{Ending inventory}
 \end{array}$$

If the “Ending inventory” balance does not agree to the physical count, the inventory balance must be updated to agree to the physical count.

E. Property and equipment

Unauthorized use or dispositions are the two primary concerns with property and equipment. The following procedures are intended to monitor the community’s capital assets through proper internal controls over their usage:

- a. Create a policy that tags or otherwise place identifying marks on all of the community’s equipment. This policy is particularly critical to any asset that could be converted to private purpose and has a significant value, usually such things as office equipment and hand tools.
- b. During inspection visits to various operational sites, look for the tags or marks on the district’s assets.
- c. Generate and routinely update a capital asset register. A capital asset register is a listing of all items with a dollar value in excess of some minimum amount, which have useful lives in excess of one year. It is the governing body’s responsibility to determine the minimum amount used for the asset register. The register should include a description, tag or identifying number, cost, date of acquisition, and location where it is held.
- d. Periodically, perform an existence test. Select items on register and locate them to make sure they exist and are still functional. If the asset is no longer functional, it may have to be written off of the books.
- e. Periodically, perform a completeness test. Before looking at the register, identify the community’s property. Once identified, agree the asset to the capital assets register. If the asset is not listed, the register is not complete and the total assets are understated. Therefore, appropriate adjustments must be made to properly account for the community’s capital assets.
- f. Any asset purchased with a federal grant must be documented as such on the accounting records and on the tag or identifying mark on that asset.

SECTION 10 – INTERNAL CONTROLS

Any type of audit may be performed in conjunction with an internal control evaluation. Proper internal controls provide reasonable assurance assets are adequately safeguarded. If a special district did not have an external auditor perform a review of the internal controls, the governing body should perform such a self-assessment of the internal controls and implement internal controls where necessary to reasonably safeguard the entity's assets.

Accounting responsibilities, procedures, and policies should be designed to help prevent:

- Misstatement of account balances because errors (both intentional and unintentional) go undetected
- Misappropriation of cash and other resources of the governmental entity

These objectives are pursued through a sound internal control structure which is carefully established and meticulously followed by accounting personnel. Such an internal control structure can also tend to promote operational efficiency.

COSO Framework

For a governmental entity to achieve sound internal controls surrounding their financial statements, it is recommended to use The Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Integrated Framework for guidance. This framework is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control.

The COSO framework defines internal control as follows:

“Internal control is a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”

Further, the COSO framework states internal control consists of five integrated components. These components are as follows.

1. The **control environment** sets the tone of the organization, generally flowing as an attitude from the entity's management (governing body). When this is communicated to everyone in the organization, it becomes the foundation for all of the other components.
2. **Risk Assessment** refers to any of the risks to the entity, associated with external as well as internal sources. Looking at special districts, all of the risks are not easily or readily apparent, but financial risk can range from funding sources which dry up, costly Environmental Protection Agency (EPA) regulations, to lawsuits, and misappropriations of funds.

3. **Control activities** are the policies and procedures that help ensure managements' directives are carried out. They include approvals for purchases, authorizations, reconciliations, monitoring for compliance with laws and regulations, security of assets and segregation of duties. The activities occur at all levels of the entity.
4. **Communication and information** are the ways and means used by management and the organization in achieving their objectives, in carrying out their responsibilities, and in understanding each of their roles and how it relates to others. Communication needs to flow upward, across, and externally, as well as downward from management.
5. **Monitoring** is the last component of internal control and it is a process that assesses the quality of the system over time. This can be best accomplished through two methods – **activity monitoring** and **evaluation**. When a government body approves the bills at council meetings that is activity monitoring. Completing an Internal Control Self-Assessment is part of the second method.

Professional Internal Control Guidance

For more information on COSO framework, refer “Internal Control – Integrated Framework” from the Committee of Sponsoring Organizations of the Treadway Commission, available from the American Institute of CPAs (AICPA).

For guidance for establishing an internal control structure, refer to the Government Accountability Office’s Standards for Internal Control in Federal Government or The Green Book.

Internal Control Self-Assessment

Performing a self-assessment and following the COSO framework to create, apply, and monitor internal controls will help to create an environment where the objectives of preventing and detecting a misstatement of account balances because errors (both intentional and unintentional) do not go undetected and cash and other resources are less likely to be misappropriated.

When performing the internal audit self-assessment, the objective is to identify areas of weakness within a governmental entity’s internal control structure. Based on the identified weaknesses and the related risk level of each weakness, an entity can create appropriate internal controls to reasonably prevent or detect a misstatement or misappropriation of assets.

As the objective is to identify weaknesses within the entity, as a whole, it is suggested to have all officials and related boards and councils involved in performing the self-assessment. Further, if the governmental entity uses an accountant, consult with them on this self-assessment. They are in a good position to evaluate the entity’s operation and offer suggestions.

Having these parties involved will help the members of the entity have a comprehensive understanding of every role’s responsibilities. With this understanding, identifying weaknesses and any related controls, or lack thereof, will be more effective and efficient.

Examples of Internal Controls

- Proper authorization of transactions and activities.
- Segregation of duties to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties. A sound segregation of duties entails assigning different people the responsibilities of authorizing transactions, recording, and reconciling transactions, and maintaining custody of assets.
- Design and use of adequate documents and records to help ensure proper recording of transactions and events, such as monitoring the use of pre-numbered checks.
- Adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to computer programs and data files.
- Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

*******Note:** Often, the fiscal staff is too small, they alone, cannot have an adequate internal control environment. In these instances, the governing body must become actively involved in the day-to-day financial activities. They must provide the checks and balances needed to properly safeguard the community's assets.

SECTION 11 – CPA SERVICES

Certified Public Accountants (CPAs)

CPAs are bound by professional standards to perform an adequate level of testing, investigation, and analytical procedures to support their expressed level of assurance. As such, officials often turn to CPAs when they become aware of a known or suspected problem.

Governing officials may find (suspected) problems by performing a self-audit. A few indicators of a problem are as follows:

- a. Incorrect record-keeping, such as the books and records not balancing
- b. Inadequate explanations for journal entries
- c. Assets are not properly accounted for
- d. Inadequate safeguards on assets

In addition, even if no problems or suspected problems are apparent, when a treasurer plans to leave the entity, the Department recommends, at a minimum, the special district request for services (or an audit) from a CPA. Having a professional accountant review or audit the financials will help to ensure the records are materially stated and in proper condition for the new treasurer.

Hiring a CPA

Once the governing body agrees to hire a CPA, the CPA will determine the procedures to perform and the amount for which they will charge the special district. The type of performed procedures and the related charges can be different for each entity, depending on the size of the entity, the type of transactions they perform, the quantity of transactions performed, and even the treasurer's level of knowledge and experience. In addition, the type of procedures performed will depend on the areas of concern found within the entity. The following are a few common concerns:

1. The books do not balance to the cash.
2. The records are not complete.
3. The payroll records do not reconcile with other reports or records.
4. Entity officials have not regularly reviewed any cumulative reports of the entity's activities.
5. Budget to actual comparisons have not been performed by the treasurer or provided to officials.
6. Segregation of duties is not strong (e.g., only one person has been involved in the record keeping and collection of funds).

Other CPA services

An audit normally expresses a positive (unqualified) opinion on the financial statements. Wyoming governmental units must have audits performed in conformity with Generally Accepted Governmental Auditing Standards (GAGAS). Even though the district may not be required to have an audit, there are several other services a Certified Public Accountant can provide. Some of these are as follows:

1. **Compilation** – A compilation constitutes presenting in the form of financial statements, information that is the representation of the district **without undertaking to express any assurance** on the statements. The Department of Audit does not accept this level of service for any of the required oversight procedures.
2. **Review** – A review consists of the CPA performing inquiry and analytical procedures that provide the CPA with a reasonable basis for **expressing limited assurance** that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles.
3. **Special Reports** – A special district may also engage a CPA to apply **agreed upon procedures** to one or more specified elements, accounts, or items of a financial statement. For example, the district may wish to have the CPA report on the cash balances or on the cash receipts and disbursements for a year. The district may also engage a CPA to report on only certain types of revenue or expenses. This type of engagement provides a great deal of **flexibility** due to the fact the district only receives a report for those items they select. In many cases, this may result in significant **cost savings** over an audit in accordance with generally accepted governmental auditing standards.

NOTE: For further information on reporting and evaluating the accounting records for the district, please see the section on INTERNAL CONTROL EVALUATION. Someone who is independent of the district with basic accounting skills may use the procedures described in the section AUDIT PROCEDURES, to give the district officials some idea of the quality of their accounting system.

Completion of the Internal Control Document found on the Department of Audit's website, may indicate the district would want or should have someone outside the governmental unit to evaluate the districts Internal Control System or audit the districts records. The Department of Audit recommends using an auditor who has had governmental auditing experience.

Types of audits

Auditing serves a number of purposes, depending on the type of audit performed. Financial audits focus on the correctness of recorded transactions and financial statement information. Compliance auditing tests transactions and activities for compliance with laws and regulations. Performance auditing has historically focused on economy, efficiency, and achievement of program objectives.

1. **Financial auditing** involves inspecting documentation supporting individual transactions and account balances to determine whether the transactions are appropriate and the balances are correct. The underlying purpose of such audits is to provide reasonable assurance, but not absolute assurance, the financial statements are presented fairly, in all material respects, and give a true and fair view in accordance with the financial reporting framework.
2. **Compliance auditing** can also be performed in conjunction with a financial audit. As the auditors review individual transactions and the related supporting documentation, not only do

they determine if the transaction was recorded in the proper accounts, for the accurate amount, but also to determine if the transaction was permissible under applicable laws and regulations.

3. **Performance auditing** refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

SECTION 12 - FEDERAL FINANCIAL ASSISTANCE

Federal Financial Assistance

Wyoming Special Districts receiving funds from the federal government are required to properly account for the expenditures of these funds. That includes compliance with all federal regulations applicable to the grants, meeting the requirements of contracts and grant agreements and use of the funds for only those purposes for which they were granted. One of the requirements is that total expenditures of \$750,000 or more of federal money in a fiscal year generates the need for an independent CPA audit report done in accordance with the provisions of the Single Audit Act of 1984 (as amended in 1996), and the requirements of Office of Management and Budget (OMB) Circular A-133. Local governments that spend less than \$750,000 a year shall be exempt from compliance with the Single Audit Act and other federal audit requirements.

The auditor's report, according to OMB Circular A-133, is to contain a schedule of federal award expenditures. The schedule includes expenditures for each federal financial assistance program, including the Catalog of Federal Domestic Assistance (CFDA) Number when assigned. Therefore, the records maintained by the district must be adequate to provide the required expenditure information by federal program for inclusion in the audit report.

Districts receiving federal assistance must know and understand how the provisions of federal regulations impact the accounting and management of that assistance. In addition to specific requirements contained in the federal award contract or awarding documents, as a minimum, district management must be knowledgeable of the following federal regulation and how their requirements affect the district's individual federal awards.

Single Audit Act of 1984 (and amendments of 1996)

OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations"

OMB Circular A-133 Compliance Supplement

OMB Circular A-87 "Cost Principles for State, Local and Indian Tribal Governments"

OMB Circular A-102 "Grants and Cooperative Agreements with State and Local Governments" (the Common Rule)

The codification of the Common Rule by federal agency from which the district has received federal assistance

Drug Free Workplace Act of 1988

Federal Funding Accountability and Transparency Act (FFATA) of 2006 (as amended)

Copies of the Single Audit Act and the OMB Circulars mentioned in this document are available from the Office of Management and Budget at <http://www.whitehouse.gov/omb/>. The other Acts can be obtained through internet queries. Please call the Department of Audit for any additional guidance needed on this section.

APPENDIX A: DEPOSITORIES

ILLUSTRATION 1 – Resolution by the Board of Directors of an Approved Depository

WHEREAS, it is necessary for (name of designated depository) to properly secure the political division or subdivision for all monies deposited in the bank by the Treasurer of the political division or subdivision, hereinafter call the Treasurer; and

WHEREAS, no deposits will be made in the bank by the Treasurer unless the deposit is properly secured, and the giving of proper security is one of the considerations for receiving the deposits; and

WHEREAS, the Treasurer may, when furnished proper security, carry a maximum credit balance with the bank of _____ dollars; and

WHEREAS, the treasurer is willing to receive securities designated by laws of Wyoming as legal collateral security as security for the deposit;

NOW, THEREFORE, BE IT RESOLVED by the board of directors of the depository bank that any two of the following named persons, officers of the bank, are authorized and empowered to pledge to the Treasurer of the state of political subdivision securities of this bank which are legal for collateral security for deposit of public funds, and which the Treasurer is willing to accept as collateral security, and in amounts and at the time the Treasurer and bank officers agree upon:

(Bank Officer's Name)

(Title)

BE IT FURTHER RESOLVED that this authority given to the officers of the bank named herein to furnish collateral security to the Treasurer shall be continuing and shall be binding upon the bank until the authority given to the bank officers named herein is revoked or superseded by another delivered by a representative of the bank to the Treasurer or mailed to the Treasurer by registered mail. The right given the officers named herein to pledge security as collateral also includes the right to give additional collateral security and to withdraw such collateral as the Treasurer is willing to surrender and the right to substitute one piece or lot of collateral for another, provided the Treasurer is willing to make such exchanges or substitution.

BE IT FURTHER RESOLVED that the bank officers named herein are fully authorized and empowered to execute in the name of the bank such collateral pledge agreement in favor of the Treasurer as the Treasurer requires, and any collateral pledge agreement executed or any act done by the bank officers named herein under the authority of this resolution shall be as binding and effective upon this bank as though authorized by specific Resolution of the Board of Directors of this Bank.

ILLUSTRATION 2 – Joint Custody Receipt

(This document is to be executed in triplicate. One copy for the Public Entity, One Copy for the Depository Bank, and One Copy for the Custodian Bank. This form shall be used for Joint Custody Receipts other than those of the Federal Reserve.)

Receipt Date: _____ Receipt Number: _____

_____ hereinafter called the CUSTODIAN, has
(Custodian Bank Name and Address)

Received to be held in safekeeping subject to the joint order of: _____
(Public Entity)

Hereinafter called the PUBLIC ENTITY and _____ hereinafter called
(Depository Bank)

The DEPOSITORY BANK, the following described securities:

<u>Security Description</u>	<u>Interest Rate</u>	<u>Par Value</u>
-----------------------------	----------------------	------------------

The custodian will detach as they mature and enter for collection the coupons from the securities (as applicable) and the proceeds when collected will be credited to the account of the depository bank unless otherwise ordered by the public entity treasurer.

The custodian will enter matured principal for collection and hold the proceeds when collected subject to the joint order of the public entity treasurer and depository bank.

It is understood by the public entity treasurer and the depository bank that the custodian assumes no responsibility for the nonpayment of interest or principal nor for the validity, genuineness or enforceability of any of the securities deposited in safekeeping hereunder nor makes any representation or warranties expressed or implied, as to the value or worth thereof, nor for the giving of notice of maturity, calls for redemption or the exercise of any rights, priorities, privileges of exchange or conversion or for the timely presentation of maturing principal or interest of any securities deposited under this agreement.

The custodian assumes no responsibility with respect to the safekeeping and condition of deposited property beyond the care and custody it gives its own securities held on its own premises. Any and all forms of protective insurance are to be furnished by the public entity treasurer and depository bank at their option and expense. The custodian is not required to furnish any form of protective insurance.

The custodian shall deliver the securities to the public entity treasurer upon the sole order of the public entity treasurer when supported by a verified certificate of the director of the Wyoming Department of Audit certifying under seal that the depository bank has failed or refused to pay all or a portion of the deposit due the public entity treasurer by the depository bank and that under the terms of the pledge agreement executed by the depository bank the public entity treasurer is entitled to delivery of the securities described in this receipt or the proceeds thereof. Otherwise, the securities shall be delivered only upon the written joint order and instructions of the public entity treasurer and depository bank.

NAME, SIGNATURE AND TITLE of Authorized Person of CUSTODIAN BANK

NAME: _____

SIGNATURE: _____
TITLE: _____

RELEASE

This receipt is hereby surrendered and the custodian is authorized to release the above securities and make disposition as follows:

NAME: _____ NAME: _____
(Depository Bank) (Public Entity Treasurer)
TITLE: _____ TITLE: _____
DATE: _____ DATE: _____

NOTE: The securities shall be delivered only upon the written joint order and instructions of the public entity treasurer and depository bank. In the case of a bank failure, the securities shall be delivered on the sole order of the public entity treasurer when supported by a verified certificate of the Wyoming Director of the Wyoming Department of Audit certifying under seal that the depository bank has failed.

APPENDIX B: INTERNAL CONTROL SELF-ASSESSMENT

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
PREPARED BY THE OFFICIALS OF THE CITY OR TOWN OF _____ on (date) _____.					
I. CONTROL ENVIRONMENT					
<u>Budgets and Planning</u>					
1. Are responsibilities for budget preparation segregated?					
	a. Budget preparation _____				
	b. Adoption _____				
	c. Execution _____				
	d. Reporting _____				
2. Are budgets prepared for every significant activity regardless of whether the preparer thinks they are required by law?					
3. Is the type of budgeting performed (traditional, program, performance) the same as the accounting system?					
4. Is the budget prepared in sufficient detail to provide a meaningful tool used to monitor subsequent performance?					
5. Are interfund and interdepartmental transfers included in the budget?					
<u>Adoption</u>					
6. Is citizen input obtained through budget hearings?					
7. Are estimated revenues and appropriations recorded in the accounting records for later comparison to actual amounts realized or incurred?					
8. Are budgets that have been approved by grantors, for using with grant activity, recorded in the accounting system?					

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
9. Are budgets and hearings published as per Wyoming Statutes?				
<u>Execution</u>				
10. Have procedures been adopted and communicated establishing authority for transfers between budget categories?				
11. If expenditures are to exceed budgeted expenditures, then do accounting personnel submit budget amendment requests before the issuance of a purchase order or expenditure commitment?				
12. Are budget amendments processed and approved in the same manner as the original budget?				
<u>Reporting</u>				
13. Are actual expenditures compared to budget with reasonable frequency and on a timely basis? (usually monthly)				
14. Does the governing body request explanations for significant variations from budget?				
<u>Conflicts of Interest</u>				
15. Does a formal policy regarding conflicts of interest exist?				
16. Are written representations required from appropriate personnel as to compliance with accounting policies and procedures and ethics policies?				
17. Are loans of any kind to officials and employees prohibited? (see Accounting Handbook Introduction)				
<u>Monitoring</u>				
18. Are the adequacy and effectiveness of the internal control structure policies and procedures periodically evaluated?				
19. Are measures implemented to correct weaknesses when found?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
II. ACCOUNTING SYSTEM					
<u>General</u>					
1. Does the entity have adequate written statements and explanations of its accounting policies and procedures for the following?					
	a. Chart of accounts				
	b. Computer system documentation				
	c. General ledger documentation				
	d. Transaction approval and authorization				
	e. Bad debt write off procedure				
	f. Closing journal entries/procedures				
<i>(If the processes and policies within the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual (Manual) are adopted, the accounting manual would serve this purpose.)</i>					
2. Are accounting manuals updated as necessary?					
3. Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure?					
4. Are the principal accounting, treasury, and custody functions segregated?					
5. Are the responsibilities for maintaining the general ledger segregated from those for maintaining subsidiary ledgers? And segregated from those for custody of assets?					
6. Are records maintained in a secure facility such as fire resistant locked cabinets, limited access areas, with alarms and detection devices?					
7. If records are maintained in a secure facility, does the facility have alarms or detection devices?					

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
8.	Is insurance coverage reviewed and adjusted on a yearly basis? Are equipment, programs, and data files covered by insurance?				
9.	Are journal entries properly approved, adequately explained and in accordance with management's authorization?				
10.	Are all journal entries reviewed, approved, and supported by adequate descriptions or documentation?				
11.	Were gifts or donations provided (except for "necessary support of the poor"), or support for any political activity by use of public funds?				
<u>Computerized Data Processing</u>					
12.	Is the data processing system documented such that the organization could continue to operate if important data processing employees leave?				
<u>Financial Reporting</u>					
13.	Do procedures exist providing reasonable assurance that all data required to be included in legal, as well as public reports, are properly disclosed?				
14.	Are financial reports reviewed and approved by the governing body before public release?				
15.	Are there procedures to ensure that all requirements for filing of financial reports are met?				
III. CASH					
<u>Receipts</u>					
1.	Are collection and deposit preparation functions segregated from those for recording cash receipts and general ledger entries?				
2.	Are responsibilities for cash receipts functions segregated				
	a. From those for cash disbursements?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
	b. From voucher preparation?				
	c. From bank reconciliations?				
	d. From journal entry process?				
	e. From accounts receivable utility and assessments posting?				
3.	Are all receipts deposited on a timely basis (preferably daily and at the end of each month)?				
4.	Are the same controls for receipt requirements and deposits maintained and enforced in all collection locations?				
5.	Are receipts and bank deposits compared and balanced daily?				
6.	Is a restrictive endorsement placed on each incoming check upon receipt?				
7.	Are receipts written for every payment of money to the entity?				
8.	Are "not sufficient funds" checks delivered to someone independent of processing and recording of cash receipts? Are they monitored to make sure that they are clear?				
9.	Are receipts pre-numbered and recorded consecutively in the Receipts Journal? Are the originals of "voids" retained?				
10.	Do facilities exist for protecting undeposited receipts?				
11.	Do controls exist providing reasonable assurances that restricted revenues are expended only for restricted purposes (e.g., deposited to separate bank accounts)?				
12.	Are the deposits made complete and intact with no cash being withheld?				
<u>Disbursements</u>					

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
13. Are claims only paid after “the claim is certified under penalty of perjury by the vendor or by an authorized person employed by the entity receiving the items or for whom the services were rendered,” per Wyoming Constitution, Article 16, Section 7?				
14. Are bills paid only from original invoices (not statements)?				
15. Does control exist over warrant or check-signing machines as to signature plates and usage?				
16. Are the facsimile signatures registered with the Secretary of State? Is the facsimile signature plate in custody of the person whose signature it is, when not in use?				
17. Are procedures provided for immediate notification to banks when check signers leave the unit or are no longer authorized to sign?				
18. Are invoices and vouchers furnished to check signer at the time of signing? Are invoices supporting documents cancelled or marked “Paid” to prevent reuse?				
19. Is the drawing of warrants or checks to “cash or bearer” always prohibited?				
20. Are unused checks and voided checks adequately secured?				
21. Does anyone ever sign blank checks?				
<u>Bank Accounts</u>				
22. Are signature cards and depository agreements reviewed and updated at least yearly?				
23. Are there adequate controls and security over petty cash?				
24. Are separate bank accounts maintained for each fund legally required to be segregated?				
25. Are bank transfers reviewed each month and the transactions authorized/approved by the governing body?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
26. Are check number sequences checked for completeness in the bill approval or check signing process with all checks used in sequence and accounted for?					
27. Has any member of the governing body reviewed an unopened bank statement (for each bank account) at least once this year? (Check for unauthorized vendors, unauthorized transfers, and authorized payer signatures.)					
28. Do procedures exist for steps essential to an effective 2nd person financial statement reconciliation, such as:					
	a. Comparison of warrants or checks in appropriate detail with disbursements records?				
	b. Examination of signature and endorsement, at least on a test basis?				
	c. Accounting for numerical sequence of warrants/checks used?				
	d. Comparison of book balances used in reconciliations with general ledger accounts?				
	e. Comparison of deposit amounts and dates with cash receipts entries?				
	f. Footing of cash books?				
29. Are all reconciliations and investigations of unusual reconciling items reviewed and approved by an official who is not responsible for receipts and disbursements? Is there evidence of the review and approval by signing on the reconciliation?					
30. Are checks outstanding for a considerable time periodically reviewed for propriety?					
31. Has the Unclaimed Property – Annual Reporting been completed and timely filed?					
Investments					

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
32. Are custodial responsibilities for documents evidencing ownership assigned to an official who has no accounting duties?					
33. Are investment policy guidelines consistent with Wyoming Statutes, formally established and periodically reviewed?					
34. Are competitive bids sought for bank certificate purchases?					
35. Are individuals with access to safe deposit boxes bonded?					
36. Are periodic comparisons made between income received and the amount specified by the terms of the security?					
37. Does the governing body receive a monthly detailed report of the securities and certificates of deposit held? (These should include the original bank or investment statements)					
<i>Accounts Receivable</i>					
38. Are aggregate collections on accounts receivable reconciled against posting to individual receivable accounts?					
39. Are totals of individual accounts receivable balanced to a GL Control account each month, by someone other than the accounts receivable clerk, and records maintained of the reconciliation?					
IV. GRANTS					
1. Is responsibility for monitoring grant activities properly fixed? The Compliance Monitor is _____.					
2. Do procedures exist to monitor compliance with:					
	a. Financial reporting requirements?				
	b. Use of funds and other conditions in accordance with grant terms?				

INTERNAL CONTROL SELF-ASSESSMENT		YES	NO	N/A	Other Explanation
	c. Timely billing of amounts due under grants?				
3.	Is all grant activity/financial transactions, separated from the accounting for local funds, or as required by the grant agreement?				
4.	Are grant revenues and disbursements processed under the same degree of controls applicable to the entity's other transactions or under more stringent control standards?				
5.	Are procedures in place that ensures that all General Requirements as well as all Specific Compliance Requirements are being met, according to rules established by OMB Circular A-133 for all Federal Grants?				
6.	Has the local government reviewed all State Land and Investment Board rules and regulations, when receiving any SLIB money?				
7.	When applicable, do sub-grantee agreements contain the same compliance requirements as the primary grantee's agreement and are they being monitored for compliance, by the primary grantee?				
V. CAPITAL ASSETS					
1.	Is a separate capital project's budget prepared?				
2.	Do procedures exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods?				
3.	Are grant-funded acquisitions subject to the same controls as internally funded acquisitions?				
4.	Are project cost records established and maintained for capital expenditures and repair projects?				
5.	Are detailed property records maintained for all significant self-constructed, donated, purchased, or leased assets?				
6.	Is the accountability for each asset established?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
7. Do procedures exist for periodic inventory of documents evidencing property rights (for example: deeds, leases, etc.)?				
8. Do physical safeguards over all assets exist?				
9. Are detailed property records periodically compared with existing assets and differences investigated and resolved?				
10. Is equipment properly identified by metal numbered tags, engraved ID #s, or other means of positive identification?				
11. Are all items purchased with Federal funding so identified on the item and in the property records?				
12. Do procedures exist for the proper disposition of assets in compliance with State and Federal laws?				
13. Has the governing body established a policy which governs depreciation rates, capitalization of assets and determines leasing policies?				
VI. PURCHASING				
1. Are responsibilities for the requisitioning, purchasing, and receiving functions segregated from the invoice processing, accounts payable and general ledger functions?				
2. Are responsibilities for the disbursement preparation and disbursement approval functions segregated from those for recording cash disbursements and general ledger entries?				
3. Are responsibilities for the disbursement approval function segregated from those for the disbursement preparation function?				
4. Are policies regarding conflicts of interest and business practice policies established, documented and distributed?				
5. Are procedures modified when funds disbursed under grant or loan agreements and related regulations impose requirements that differ from the organization's normal				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
policies?				
6. Do approval procedures and bidding procedures exist for purchase order and contract issuance?				
7. If construction contracts are to be awarded, are bid and performance bonds considered and used?				
8. Is a record of suppliers who have not met quality or other performance standards by the purchasing department maintained?				
9. Are invoices (vouchers) reviewed and approved by a senior employee for completeness of supporting documents and required clerical checking?				
10. If an invoice is received from a supplier not previously dealt with, are steps taken to ascertain that the supplier actually exists?				
11. Is responsibility fixed for seeing that all cash discounts are taken and if applicable, that exemptions from sales, federal excise, and other taxes are claimed?				
VII. PAYROLL AND PERSONNEL				
1. Are all changes in employment (additions and terminations), salary and wage rates, and payroll deductions properly authorized, approved and documented?				
2. Are appropriate payroll records maintained for accumulated employee benefits (sick leave, vacations and retirement)?				
3. Do written personnel policies exist?				
4. Are controls established to ensure that payroll costs charged to grants are in compliance with grant agreements?				
5. Are hours worked, overtime hours, compensatory time, and other special benefits reviewed and approved by the				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
employee's supervisor?				
6. Are time cards or other time reports reviewed for completeness and approved by the employee's supervisor?				
7. Do procedures exist for authorizing, approving, and recording vacations, holidays, and sick leave?				
8. Is a separate, imprest-basis, payroll bank account maintained?				
9. Are payroll checks periodically distributed by the internal auditors (or others) to ascertain that employees exist for all checks prepared?				
10. Are accrued liabilities for unpaid employee compensation and benefit costs properly recorded or disclosed?				
11. Are employer payroll liabilities being paid on a regular basis and are reports being timely filed?				
VIII. GENERAL PROCEDURES				
1. Is there a formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned?				
2. Is the principal accounting officer over accounting records and accounting employees supervising at all locations?				
3. Are employees in positions of trust bonded in amounts required by statutes or organization policy?				
4. Are written accounting, policy, and procedural manuals distributed to appropriate personnel?				
5. Do procedures exist to ensure that financial reports are prepared on a consistent basis?				
6. Are the adequacy and effectiveness of the internal accounting controls related to the organization's transaction systems (procurement, revenues and receivables, etc.) periodically evaluated?				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
7. Has a drug-awareness policy been adopted by the governing body?				
8. Has a continuing procedure for drug-awareness been implemented and followed up on for all employees?				
9. Does the governmental entity have a written plan addressing the provisions of the Americans with Disabilities Act?				
10. Has someone in the organization been designated as the ADA Coordinator?				
11. Have any sexual harassment issues been brought to the attention of anyone in the entity's organization?				
12. If yes to question #11, has the city or town's attorney been informed of all the details disclosed?				
IX. INFORMATION TECHNOLOGY (IT) CONTROLS				
1. Does the entity have written IT policies and procedures manual?				
<i>Physical Security</i>				
2. How is physical access to the computer system controlled?				
3. How is access to the above location monitored (are there sign in sheets, video surveillance, etc.)?				
<i>Logical Security</i>				
4. Are usernames and passwords required to access the network? If so, answer the following questions.				
a. Is there a required format for passwords and what is it?				
b. Is the format enforced?				
c. Are passwords required to be changed regularly?				
d. Is this enforced?				
e. Are users locked out after a number of failed login				

INTERNAL CONTROL SELF-ASSESSMENT	YES	NO	N/A	Other Explanation
attempts?				
f. Are users logged off after a short period of inactivity?				
5. Does each computer user have a unique username and password that is restricted only to their use?				
6. Are there procedures for adding, modifying, and deleting users promptly?				
7. Are there firewalls in place to protect email and applications accessible via the internet?				
<i>Disaster Recovery</i>				
8. Is there a formal disaster recovery plan?				
9. If so, is the disaster recovery plan reviewed in a timely manner?				
10. Are IT systems backed up?				
11. Are backups of IT systems performed timely? (Ideally IT systems should be backed up daily.)				
12. Are backups stored on-site?				
13. Are backups stored off-site?				
14. Is access to the backups restricted?				
15. In case of power failure, does the entity have a procedure to restore data?				
16. In the event of an emergency when critical personnel are unavailable (sick or vacation) are there procedures or personnel in place to handle IT issues?				
17. Is there a maintenance schedule for computer equipment?				

After completing this document, while thinking of the actual process used by the positions (people) involved review all “NO” answers. There may be steps which taken now will mitigate the weakness shown by the “NO” answer. For example, by just changing one step in the process, such as bringing

another employee or governing body member as an approval sign-off person into the process, it will be able to establish a control. Awareness of the problem is certainly the first step towards resolution.

The Department of Audit, Public Funds Division may be contacted at (307) 777-7798 regarding techniques useful in resolving weak internal control systems.