



WYOMING LEGISLATIVE SERVICE OFFICE

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*Review of Findings and Recommendations from the  
Department of Audit and Certified Public Accountants Related  
to Wyoming Municipalities, Special Districts, and School  
Districts*

Report Completed October 29, 2019

by:

Program Evaluation staff

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**This Short Report is *not* an auditing standards-based product and is *not* evaluative in nature.** This report is intended to address specific questions posed by the Management Audit Committee with respect to certain governmental operations. Evaluators prepared this short report with information obtained from the agency officials and staff. Evaluators did not independently verify this information according to governmental auditing and evaluation standards.

## PART I: INTRODUCTION AND BACKGROUND

At its May 2019 meeting, the Management Audit Committee directed the LSO Program Evaluation staff to prepare a Short Report based on review of performance audits conducted by the Department of Audit (Department) and financial audits conducted by independent certified public accountants (CPA) for the following entities:

- Municipalities
- Special Districts
- School Districts

The Committee specifically requested evaluators review the two most recent audits, including “management letters,” from a sample of each entity category to identify trends related to findings and recommendations, entity responses, and governing body action taken on audit recommendations.

### DIFFERENT TYPES OF AUDITS

To clarify, there are many types of audits that satisfy different purposes and review different types of information, including the following:

- *Compliance audit.* Examines policies and procedures of an entity or department to determine whether it is in compliance with internal or regulatory standards. This audit is most commonly used in regulated industries or educational institutions.
- *Construction audit.* Analyzes the costs incurred for a specific construction project to ensure those costs were reasonable. Activities may include an analysis of the contracts granted to contractors, prices paid, overhead costs allowed for reimbursement, change orders, and the timeliness of completion.
- *Financial audit.* Analyzes the fairness of the information contained within an entity’s financial statements and is the most common type of audit completed. It is conducted by a CPA firm, which is independent of the entity under review. According to the Government Accountability Office (GAO) 2018 Government Auditing Standards (“Yellow Book”), financial statement audits provide “financial statement users with an opinion by an auditor on whether an entity’s financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework.” These audits also include “reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statement.”
- *Information systems audit.* Reviews the controls over software development, data processing, and access to computer systems and is intended to spot any issues that could impair the ability of IT systems to provide accurate information to users and ensure unauthorized parties do not have access to the data.
- *Investigative audit:* Investigates a specific area or individual when there is a suspicion of inappropriate or fraudulent activity and is intended to locate and remedy control breaches, as well as to collect evidence in case charges are to be brought against an individual.
- *Operational audit.* Provides detailed analysis of the goals, planning processes, procedures, and results of the operations of a business. The audit may be conducted internally or by an external entity and is intended to evaluate operations, likely with recommendations for improvement.
- *Tax audit.* Analyzes the tax returns submitted by an individual or business entity, to determine whether the tax information and any resulting income tax payment is valid. These audits are usually targeted at

returns that result in excessively low tax payments, to see if an additional assessment can be made.

In addition to the audits described above, there are *performance audits*. The Government Accountability Office (GAO) 2018 Government Auditing Standards (“Yellow Book”) defines performance audits as providing “objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.” (GAO standards, 1.21)

#### **PURPOSE OF AUDITS CONDUCTED BY THE DEPARTMENT VERSUS CPA FIRMS**

The Department’s Public Funds Division (Division) conducts compliance and performance audits for municipalities, special districts, and school districts. The Division’s mission is to promote “governmental accountability through verifying the accuracy and reliability of information provided to the citizens of Wyoming, Legislature, Governor and other stakeholders.” To accomplish this mission, the Division conducts primarily compliance and performance audits for municipalities, special districts, school district funding model components, and state agencies.

Specifically, through its audit process the Division determines 1) the accuracy of the information reported in the Census Report<sup>1</sup> submitted to the Division; 2) whether the reporting entity is in compliance with applicable statutes and regulations; and 3) to determine the adequacy of internal controls.

The CPA audits reviewed for purposes of this report were financial statement audits of municipalities, special districts, and school districts as either required by statute or elected by an entity to have a CPA audit completed. Procedures performed by CPA firms are intended “to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.” The risk assessments are made as the auditor considers “internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances...” Additionally, the audit includes an evaluation of the appropriateness of accounting policies used by the audited entity; the reasonableness of the accounting estimates made by management; and the overall presentation of the financial statements.

Findings and recommendations issued by the Division and CPA firms have a similar nature and are based on comparisons of an entity’s actual practices versus the practices an entity should be adhering to, such as statutes, rules, policies, and best practices.

#### **DIVISION EXECUTIVE SUMMARIES, CPA COVER LETTERS, AND AUDITEE MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENTS**

The Committee expressed specific interest the “management letters” that accompany each Division audit and CPA audit, what information is provided within each, and whether those letters are made public. The Division’s Chapter 8 rules state concerning these letters as: “Any management letter or other written correspondence submitted to the audited entity regarding the results of the audit shall also be submitted to the department as an accompaniment to the auditor’s report.”

However, in practice this information is not referred to by the Division or the auditing CPA firms as “management letters.” According to Division officials, the Division and CPA firms provide “executive

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<sup>1</sup> According to Division rules, the “annual census report currently being filed with the federal bureau of the census, or with the department, by all entities required to report to the department, will be utilized by the department to the extent possible to obtain the required revenue, expenditure and financial activity information.” Consistent with different types of entities audited by the Division are different forms for each entity to complete and submit to the Division, i.e. Annual City or Town Financial Report (F-66)(WY-1); Special Purpose Districts (F-32 for special agencies and F-66 WY-4 for major special agencies).

summaries” and “cover letters,” respectively. In addition, CPA firms provide a “Schedule of Findings and Questioned Costs,” which includes any resulting recommendations. The Division’s executive summaries provide similar information and rationale for findings and recommendations. Also included with an audit’s executive summary is a cover letter addressed to the auditee and identifies the objective, scope, and methodology, as well as a list of tests performed during the audit process.

Executive summaries that accompany Division performance audit reports identify, on a high level, the findings and recommendations of the audit. The accompanying audit reports provide details of the findings and recommendations for correction or resolution of the noted issues and includes the audited entity’s response to the findings. Both the executive summaries and accompanying audit reports are accessible on the Department’s website under the Public Funds Division’s tab (<https://sites.google.com/a/wyo.gov/division-of-public-funds/>).

Independent CPA financial audit reports are accompanied by a cover letter, addressed to the auditee, containing boiler plate language related to auditor and auditee responsibilities regarding the audit process, methodology and auditing standards, as well as general comments regarding the focus of the audit. The Schedule of Findings and Questioned Costs outlines the reasoning behind the findings and recommendations. Additionally, the auditee generates a document, included with the audit report, identified as the “Management Discussion and Analysis,” which provides an explanation of its budget and finances but not context or response to any findings or recommendations. The CPA audit reports are filed with the county clerks. A member of the public wishing to review those audits may access them via county clerk offices or may contact the audited entity directly.

For school district audits, Division executive summaries related to the school funding model components accompany audits; however, executive summaries related to IT security are addressed separately and confidentially and only provided to the subject school district and the Department of Education.

Appendices B and C provide three examples each of Division executive summaries and audit details (Town of Mills; Eden Valley Improvement and Service District; and Platte County School District #1) and CPA cover letters and schedule of findings (City of Casper; Savery-Little Snake River Water Conservancy District; and Natrona County School District #1), respectively. Additional examples are available and can be provided to the Committee for review.

## **PART II: FINDING TRENDS**

A review of Division and independent CPA audits for 57 separate entities, including municipalities, special districts, and school districts revealed common trends across the sample primarily related to internal control issues.

### **TRENDS**

Across municipality and special district Division audits common findings identified related to poor internal control measures:

- Lack of segregation of duties
- Lack of involvement of governing bodies
- Lack of written policies and procedures for accounting and day-to-day operations
- Poor accounting practices (improper recording of revenues, expenditures, and debit/credit card usage)

In general, the trends identified above are also common to school district audits; however, errors in methodologies of funding model components are also identified, which can impact a district’s funding level.

### **Internal Control Measures**

Proper internal control measures are essential to protect an entity’s assets, financial and physical. Segregation of duties among an entities’ staff members, especially those handling accounting functions, reduces the risk of mishandling of funds and fraud. Involvement of the governing bodies of these entities, i.e. mayor, town council,

special district boards or commissions, provide an important oversight function for operations, and are particularly important when segregation of duties is not feasible. Written policies and procedures reduce the risk of inconsistency of processes which can lead to improper accounting and business practices, especially when an entity encounters staff turnover. Poor accounting practices increase the risk of mishandling funds and fraud, such as improper recording of revenues and expenditures and misuse of an entity's debit or credit card used for small item purchases.

### **PART III: MUNICIPALITY AUDITS**

Pursuant to W.S. 9-1-507(a)(iii), the Division is required to audit municipalities with a population under 4,000. Of the 99 incorporated municipalities in the State, the Division is responsible for auditing 83 (81%) of the municipalities. Due to the large number of municipalities, not all are audited within a 10-year period. As of June 30, 2019, the Division webpage reports that audits have been conducted on 20 separate municipalities from 2009 to 2018.

#### **Common Findings Across the Sampled Audits**

LSO staff reviewed a sample of audits conducted by the Division and independent CPA firms for 15 different municipalities. Regardless of whether the audit author is the Division or independent CPA firms, LSO's review revealed several common findings. These common findings relate to internal control and compliance issues:

- Lack of segregation of duties
- Lack of policies and procedures, including for accounting, investments, disaster recovery planning, and information technology
- Lack of proper internal controls to reduce risk to finances and assets of the municipality
- Lack of governing body involvement to provide oversight
- Poor accounting practices and financial reporting processes
- Non-compliance with Wyoming Constitution and statutory provisions, and federal laws and regulations

According to Division officials, audit report content, and responses from audited entities, many of these findings are a result of small communities',

- Lack of staff and a qualified workforce from which to draw
- Lack of financial resources that make it difficult to properly segregate duties
- Lack of time to develop policies and procedures
- Lack of staff with the knowledge to ensure compliance with local, state and federal laws and regulations

A common recommendation by the Division and CPAs to mitigate some of the increased risk to finances and assets is more involvement by the governing bodies regarding aspects of the day-to-day activities of the municipality, as well as reviewing expenditures and bank statements.

#### **Auditee Responses**

Overall, the responses received from the sampled municipalities focus on implementing audit recommendations; however, that does not ensure the recommendations will in fact be implemented. A review of follow-up audits revealed that in some instances implementation of recommendations had not gone as planned, were in the process of implementation, or were not implemented at all. Very few of the sample auditee responses included disagreements regarding the findings of the Division or CPA firm. Disagreements with audit findings noted in the sample included differing statutory interpretations related to conflicts of interest, budget violations, and concerns over certain accounting processes and procedures.

## **PART IV: SPECIAL DISTRICTS AUDITS**

A special district can be viewed as a single purpose entity covering a defined geographical area, with the district's purpose defining the "type" of district, e.g., water, solid waste disposal, etc. The primary source of most special district funding is locally generated property taxes, with mill levies varying based upon each type of district's formation statutes. Districts may also receive funds through state grants, or in the case of community college districts, through a state funding model.

Wyoming Statute 9-1-507(a)(ii) requires the Department, which is accomplished by the Division, to audit all special districts; however, special districts with revenue or expenditure levels over \$500,000 are also required to have CPA financial audits completed annually. Copies of special district CPA financial audits are filed with the appropriate county clerk and are available for review by the public. Special districts with revenue or expenditure levels under \$500,000 do not require a CPA financial audit and are subject only to Division performance audits. According to Division officials, there is a total of 659 special districts that fall within 23 statutorily authorized types. Of the 659 districts, 450 are under the \$500,000 threshold and therefore, the responsibility of the Division. As a result, not all districts are audited regularly, even within a 10-year period of time.

From the Division's webpage, we selected for review five (5) special districts that had at least two audits completed within a 10-year time period. We also requested to review the two most recent Division and/or CPA audits for 57 separate special districts across the 23 categories. The Division was able to provide audits for 29 of the 57 special districts for review. Audits for 28 special districts were not provided by the Division. Of those 28 special districts, 23 did not have an audit completed by the Division or a CPA firm, and five had CPA audits completed as a component of a larger audit, i.e. city, county, or school district, and were not available to the Division. In total, 68 individual audits representing those identified on the Division's website and those provided by the Division, were reviewed.

### **Common Findings Across the Sampled Audits**

LSO staff reviewed a sample of audits conducted by the Division and independent CPA firms for 34 special districts representative of 17 special district categories. There were several findings in common across the audits reviewed, regardless whether the audits were conducted by the Division or independent CPA firms. Those findings areas relate to internal control and compliance issues, and are similar to those identified for municipalities:

- Lack of segregation of duties
- Lack of proper internal controls to reduce risk to finances and assets
- Proper financial reporting, i.e. revenue, expenditures, journal entries.
- Lack of involvement of governing body
- Lack of policies and procedures, including for accounting, investments, disaster recovery planning, and information technology
- Non-compliance with federal, state, and local laws and regulations

### **Auditee Responses**

Similar to the responses from the municipalities, districts generally indicated all findings noted by the Division and independent auditors would be corrected. Auditees consistently identified the lack of segregation of duties and certain internal control elements as difficult to address due to small staff size (often one or two individuals) and other limited resources, as well as a lack of staff awareness regarding federal requirements, such as withholding proper payroll taxes and maintaining proper forms required by the Internal Revenue Service (IRS).

## **PART V: SCHOOL DISTRICT AUDITS**

All school districts are required to be audited annually by an independent CPA firm; however, the Department (conducted by the Division) has auditing duties as well. Wyoming Statute 9-1-513 requires the Department to *“Conduct periodic audits of each school district pertaining to data required to be submitted to the department of education under law and by rule and regulation of the state superintendent of public instruction for purposes of implementing and operating the “school finance system” as defined under W.S. 21-2-203(a)”*

Division officials stated audits of all school districts by the Division are completed within a five-year period and include audits of all model elements and audits that focus on a limited number of model components.

The results of Division audits can create an increase or decrease, by funding component, of the district’s original foundation guarantee. For example, if average daily membership reporting or student transportation reporting is not accurate it could mean a significant dollar amount will be due back to the State from the district. LSO staff reviewed of nine separate performance audits for six school districts (three had two Division audits completed with a 10-year timeframe). Of the audits reviewed, six resulted in the school districts submitting funds back to the State, ranging from \$8,309 to \$793,112. The other three audits revealed funding due to the school districts in the amounts of \$8,623; \$29,478; and \$216,492.

### **Common Findings Across the Sampled Audits**

Although the Division’s focus for school district audits differs from those conducted by independent CPAs, the issues identified by the Division are often a result of a lack of internal control, i.e. lack of proper supporting documentation, lack of segregation of duties, lack of written policies and procedures, and inaccurate accounting.

Related to the independent CPA audits conducted for the school districts reviewed, findings reported related to lack of internal control, which is consistent with findings reported for municipalities and special districts:

- Lack of policies and procedures for accounting and day-to-day operations
- Lack of segregation of duties

However, the Division audits, as noted above, have a different focus. The common findings are best identified as the components of the funding model most impacted. The most common components impacted are:

- Average Daily Membership
- Transportation
- Special Education
- At-Risk
- Vocational Education
- Teacher, school administrator, and central administrator experience reported

### **Auditee Responses**

Responses to the independent CPA audits, while not in disagreement to the findings, asserted that changes would prove to be difficult or impossible to address related to segregation of duties considering the size, typically one or two individuals, of the district fiscal staff and other limited resources.

Related to the Division audits, school district responses varied depending upon the component; however, districts sampled tended to agree with findings and recommendations, and agreed to take action to correct those issues. It is notable that while the Division’s focus for school district audits differs from those conducted by independent CPAs, the issues identified by the Division are often a result of a lack of internal control measures, i.e. lack of proper and support documentation, lack of segregation of duties, lack of written policies and procedures, and inaccurate accounting.



## **PART VI: CONCLUSION**

Based on our review of the aforementioned audits, internal control issues such as appropriate segregation of duties, preparing written policies and procedures, trained fiscal staff, and appropriate oversight by the governing body are difficult to attain for small municipalities, special districts, and school districts, making it challenging to fully comply with Division recommendations. Division officials noted these issues can likely be mitigated, or resolved in some instances, through training and education related to best practices for operations.

### **RESPONSIBILITY FOR AUDIT RECOMMENDATION COMPLIANCE**

Neither the Division nor the broader Department has enforcement power to ensure compliance with audit recommendations. Ultimately, the governing bodies are responsible for ensuring compliance and/or mitigation of risk when compliance is not feasible. For example, related to segregation of duties and internal control, a governing body's increased awareness and involvement with the activities of the entity assist to mitigate risk where strong internal control is lacking.

In the case of special districts, if the governing body does not take action to correct the weaknesses identified, the risk to the financial condition and assets of the district could remain vulnerable. However, heavy-handed enforcement may have limitations. Special districts form and tax themselves (participants) to provide a needed service. If the Legislature determines audit compliance is troublesome, it could create or revise statutes that could impact the ability for a special district to continue as formed, provide a follow-up requirement, or limit access to state-funded programs. If a district is overseen by county commissioners and fails to submit their required annual report to the Division, the county is notified and can force proceedings for dissolution as a means to require compliance. However, according to Division officials, that is an arduous process.

### **TRAINING RESOURCES**

Currently, there is no mandate for municipality, special district, or school district personnel to receive training related to statutory and rules requirements, proper internal control measures, accounting best practices, etc. Division officials stated some special district groups, e.g. weed & pest and conservation districts, regularly schedule trainings and have offered those trainings to any special district personnel and governing body members wishing to attend. Additionally, trainings are provided by the Wyoming Association of Municipalities (WAM) and the Wyoming Association of Municipal Clerks and Treasurers.

In addition, the Division maintains an accounting manual, a municipality handbook, and a special district handbook that provide basic guidance for municipalities and special districts based on statutory requirements, rules, and best practices. These are important and accessible resources for use by municipalities and newly established and existing special districts.

### **MANAGEMENT AUDIT COMMITTEE CONSIDERATIONS**

Below are examples of actions the Management Audit Committee could consider regarding the issues discussed above:

- Further study of the issue through a program evaluation
- Research how other states address compliance with executive branch audit findings and recommendations related to municipalities, special districts, and school districts
- Discuss with the Division and Department avenues through which educational opportunities and compliance may be facilitated
- Further study relevant training opportunities or requirements for personnel of entities audited by the Division
- Develop a mechanism through which the Management Audit Committee may review Division audits on a regular basis

- Establish the Management Audit Committee as the “home” committee for the Department of Audit
- Sponsor legislation to require and fund training of political subdivision personnel on statutory requirements and best practices.

# Appendix A Methodologies

## MUNICIPALITY AUDIT SELECTION METHODOLOGY

Pursuant to W.S. 16-4-102(a)(xiv) cities that are considered first class cities (W.S. 16-4-102(a)(xiv)(A) (towns having a population in excess of four thousand (4,000)) including those that elected to be first class cities, as well as cities using a manager form of government) must have annual audits conducted by a certified public accountant (CPA). Copies of those audits are provided to the Department of Audit (Department) for review and to keep on file. The Department is responsible for auditing cities and towns under 4,000 population that are not, or did not elect to be, first-class cities.

We provided the Department a list of CPA audits for municipalities to review those audits. We selected municipalities based on population and the amount of reported revenues and expenditures as reported in the Department 's Document *“Evaluation Requirements for Small Cities and Towns report dated September 28, 2017.* Specifically, we requested the two most recent independent audits for the following municipalities:

- Pinedale
- Hulett
- Riverton
- Buffalo
- Rock Springs
- Casper

We also selected audits of municipalities conducted by the Department. Those municipalities were selected based on whether there were two completed audits within the 10-year period of time reflected on the Department's website. The municipalities selected are:

- Town of Bairoil
- Town of Glendo
- Town of LaBarge
- Town of Kaycee
- Town of Kirby

In the case of LaBarge, two full audits and a follow-up were conducted within a 10-year period.

By selecting municipalities with two completed audits within a 10-year period, we were able to determine whether the same issues were pervasive over time.

## SPECIAL DISTRICT AUDIT SELECTION METHODOLOGY

The Department is statutorily charged with auditing special districts, although districts may elect to also have an independent CPA audit conducted. The Department provided LSO with a complete list of all current special districts by category.

From the Division webpage, we reviewed the only five special districts that had two audits conducted within a 10-year period. For this sample, ten individual audits were reviewed.

District	County	Revenues	Expenditures	Class
Laramie Co Fire District #6	Laramie	\$194,311	\$148,840	\$100k-\$500k
Clearview Improvement & Service	Sweetwater	\$378,742	\$322,746	\$100k-\$500k
Hanover Irrigation	Washakie	\$257,612	\$193,149	\$100k-\$500k
Predator Animal Board of Albany County	Albany	\$158,822	\$157,705	\$100k-\$500k
Highland Hanover Irrigation District	Washakie	\$220,646	\$188,273	\$100k-\$500k

For the remainder of the review, selection of the special districts for a meaningful sample required multiple steps. There are 659 separate special districts represented within 23 different special district categories. In order to select a representative sampling, for each category the individual special districts were assigned a number (1-XX), and random number generator was used for actual selection of the individual special districts to be reviewed. Additionally, for some districts, a judgmental selection was required in order to have a better sample from those districts and representation of districts across the State. As with the Division audits we reviewed from the Division webpage, for those we requested from the Division, our goal was to review the two most recent audits conducted by the Division or CPA of each selection. Overall, we requested a sample of 57 special districts from the Division. Of the 57 samples, 29 were provided by the Division, and 28 were not provided due to either not having had full audits or were not available to Department staff. For the sample, we reviewed at total of 68 individual audits.

The tables below identify the audits requested from the Department.

### Airport Joint Powers Board (1-10)

Numbers: 2, 4, 5 (judgmental)

District	County	Revenues	Expenditures	Class
(2) Big Piney-Marbleton Airport	Sublette	\$383,407	\$304,736	\$100k-\$500k

District	County	Revenues	Expenditures	Class
(4) Evanston-Uinta Airport	Uinta	\$938,702	\$1,002,645	\$1 million
(5) Jackson Hole Airport Board	Teton	\$33,308,207	\$15,033,277	\$1 million

**Cemetery District (1-41)**

Numbers: 38, 15

District	County	Revenues	Expenditures	Class
(38) South Lincoln Special Cemetery	Lincoln	\$971,560	\$720,636	\$500k- \$1million
(15) Eden Farson Cemetery District	Sweetwater	82,377	87,210	\$25k-\$100k

**Conservancy (1-2)**

Numbers: 1, 2

District	County	Revenues	Expenditures	Class
(1) Bridger Valley Water District	Uinta	\$202,605	\$88,346	\$100k-\$500k
(2) Savery Little Snake River Conservancy Dist.	Carbon	\$195,489	\$162,568	\$100k-\$500k

**Conservation District (1-34)**

Numbers: 23, 34

District	County	Revenues	Expenditures	Class
(23) Saratoga-Encampment-Rawlins Conservation	Carbon	\$772,695	\$849,756	\$500k-\$1 million
(34) Weston County Natural Resources	Weston	\$351,905	\$322,323	\$100k-\$500k

**Downtown Development Authority (1-3)**

Numbers: 1, 2

District	County	Revenues	Expenditures	Class
(1) Casper DDA	Natrona	\$3,840,428	\$4,967,418	\$1 million
(2) Cheyenne DDA	Laramie	\$791,128	\$561,463	\$500k-\$1 million

**Drainage District (1-13)**

Numbers: 8, 1

District	County	Revenues	Expenditures	Class
(8) North Antelope Drainage Dist	Big Horn	\$3,796	-	\$25k
(1) Arnold Drainage Dist	Goshen	\$9,393	\$1,594	\$25k

**Fire District (1-62)**

Numbers: 43, 5, 18, 52, 17

District	County	Revenues	Expenditures	Class
(43) Platte County Fire District #1-F	Platte	\$515,491	\$147,710	\$500k-\$1 million
(5) Big Horn County Fire District #1	Big Horn	\$305,674	\$319,776	\$100k-\$500k
(18) Fort Laramie Fire Protection District	Goshen	\$60,310	\$9,579	\$25k-\$100k
(52) Sweetwater County Fire District #1	Sweetwater	\$1,634,599	\$1,170,635	\$1 million
(17) Fremont County Fire Protection District	Fremont	\$2,185,955	\$2,595,847	\$1 million

**Improvement and Service District (1-137)**

Numbers: 26, 71, 34, 5, 130 (judgmental)

District	County	Revenues	Expenditures	Class
(26) Cottonwood I&S	Campbell	\$6,948	\$5,500	\$25k
(71) Park East Ranchettes I&S	Natrona	\$1,576	\$351	\$25k
(34) East Henrie Roadway	Natrona	\$13,748	\$15,761	\$25k
(5) Aspens I&S	Teton	\$1,935	\$13,710	\$25k
(130) Wessex I&S	Campbell	\$4,552	\$5,538	25k

**Irrigation District (1-54)**

Numbers: 17, 7

District	County	Revenues	Expenditures	Class
(17) Gooseberry Irrigation	Washakie	\$23,312	\$15,900	\$25k
(7) Cottonwood Irrigation	Lincoln	\$88,727	\$53,395	\$25k-\$100k

**Joint Powers Board (1-81)**

Numbers: 35, 63, 41, 9

District	County	Revenues	Expenditures	Class
(35) Green River – Rock Springs (WTR BRD)	Sweetwater	\$6,413,086	\$5,024,091	\$1 million
(63) Shoshone Municipal Water JPB	Park	\$6,391,871	\$5,792,152	\$1 million
(41) Kaycee – Buffalo – Johnson Co. Econ. Dev. JPB	Johnson	\$549,131	\$435,718	\$500k-\$1 million

District	County	Revenues	Expenditures	Class
(9) Bridger Valley JPB	Uinta	\$1,001,389	\$784,561	\$1 million

**Medical-Hospital District (1-18)**

Numbers: 12, 1

District	County	Revenues	Expenditures	Class
(12) Powell Hospital #1	Park	\$1,265,754	\$814,267	\$1 million
(1) Albany County Hospital	Albany	\$54,066,918	\$43,686,967	\$1 million

**Medical – Rural Health Care District (1-6)**

Numbers: 6, 2

District	County	Revenues	Expenditures	Class
(6) Sublette County Rural Health Care	Sublette	\$7,211,885	\$8,092,610	\$1 million
(2) High Desert Rural Healthcare	Sweetwater	\$504,558	\$553,261	\$500k-\$1 million

**Miscellaneous (1-2)**

Numbers: 1, 2

District	County	Revenues	Expenditures	Class
(1) Grand Targhee Resort	Teton	\$200,754	\$220,310	\$100k-\$500k
(2) Teton Village Resort	Teton	\$3,320,047	\$2,107,654	\$1 million

**Museum District (1-4)**

Numbers: 4, 3

District	County	Revenues	Expenditures	Class
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District	County	Revenues	Expenditures	Class
(3) Meeteetse Museum	Park	\$96,997	\$160,109	\$100k-\$500k
(4) Weston County Museum	Weston	\$166,550	\$145,394	\$100k-\$500k

### Predatory Animal Control Board (1-23)

Numbers: 8, 9

District	County	Revenues	Expenditures	Class
(8) Hot Springs County Predator Management	Hot Springs	\$144,946	\$182,289	\$100k-\$500k
(9) Johnson County Predatory Animal	Johnson	\$235,683	\$257,540	\$100k-\$500k

### Recreation District (1-31)

Numbers: 3, 29

District	County	Revenues	Expenditures	Class
(3) Carbon County SD #1 Recreation Board	Carbon	\$53,558	\$361,116	\$100k-\$500k
(29) Ten Sleep Recreation	Washakie	\$29,935	\$49,676	\$25k-\$100k

### Recreation Joint Powers Board (1-3)

Numbers: 1, 2

District	County	Revenues	Expenditures	Class
(1) Fremont County SD #38 Recreation Board	Fremont	\$7,945	\$14,309	\$25k
(2) Natrona County Recreation JPB	Natrona	\$1,544,918	\$1,724,103	\$1 million

**Schools-BOCES (1-18)**

Numbers: 4, 14

District	County	Revenues	Expenditures	Class
(4) Carbon County Higher Education Center	Carbon	\$1,734,221	\$1,821,619	\$1 million
(14) Region V BOCES	Teton	\$8,745,769	\$8,567,157	\$1 million

**Senior Citizens Center (1-4)**

Numbers: 2, 3

District	County	Revenues	Expenditures	Class
(2) North Big Horn Co. Senior Citizen Service	Big Horn	\$136,284	\$146,246	\$100k-\$500k
(3) Platte County Senior Citizens Service	Platte	\$488,426	\$520,525	\$500k-\$1 million

**Solid Waste Disposal District (1-16)**

Numbers: 13, 4

District	County	Revenues	Expenditures	Class
(13) Ten Sleep Solid Waste	Washakie	\$515,397	\$794,315	\$500k-\$1 million
(4) Byron Solid Waste Disposal	Big Horn	\$139,665	\$251,470	\$100k-\$500k

**Water & Sewer District (1-65)**

Numbers: 29, 63, 54, 40 (judgmental)

District	County	Revenues	Expenditures	Class
(29) North Uinta Co. Sewer & Water	Uinta	\$6,070	\$426	\$25k

District	County	Revenues	Expenditures	Class
(63) Willowbrook Water & Sewer	Teton	\$38,539	\$38,868	\$25k-\$100k
(54) The Indian Paintbrush Water	Teton	\$406,485	\$934,260	\$500k-\$1 million
(40) South Cheyenne Water & Sewer	Laramie	\$4,450,165	\$4,495,185	\$1 million

### Watershed Improvement & Service District (1-9)

Numbers: 4, 8

District	County	Revenues	Expenditures	Class
(4) Flat Creek Watershed Improvement	Teton	\$82,382	\$60,797	\$25k-\$100k
(8) Shell Valley Watershed Improvement	Big Horn	\$19,860	\$12,592	\$25k

### Weed & Pest District (1-23)

Numbers: 21, 13

District	County	Revenues	Expenditures	Class
(21) Uinta County Weed & Pest	Uinta	\$805,442	\$1,063,501	\$1 million
(13) Natrona County Weed & Pest	Natrona	\$1,930,405	\$2,021,105	\$1 million

## **SCHOOL DISTRICT AUDIT SELECTION METHODOLOGY**

By statute, all school districts must have annual independent audits conducted by a certified public accountant. However, the Division reviews elements of the Wyoming Funding Model for each school district and verifies the information submitted to the Wyoming Department of Education.

We selected school district CPA audits for review based primarily on student enrollment in order to ensure we reviewed two large districts, two medium districts, and two small districts. In addition, we reviewed Goshen County School District #1 because Goshen County did not have a school district audit by the Division in a 10-year period of time based on the Division's webpage.

### Large Districts

- Laramie County School District #1
- Natrona County School District #1

### Medium Districts

- Sheridan County School District #2
- Converse County School District #1

### Small Districts

- Lincoln County School District #1
- Big Horn County School District #4
- Goshen County School District #1 (as noted above)

We selected audits completed by the Division based on school districts that had two audits completed within the 10-year period reflected on the Division's webpage.

- Teton County School District #1
- Platte County School District #1
- Campbell County School District #1

To ensure a more balanced review of audits conducted by the Division, three additional school districts were randomly selected.

- Sheridan County School District #3
- Laramie County School District #2
- Albany County School District #1

# Appendix B Division Executive Summaries and Audit Detail Examples

This appendix provides three examples of the Division's executive summaries, accompanying audit details, and auditee responses for the Town of Mills; Eden Valley Improvement and Service District; and Platte County School District #1.

Town of Mills  
2015



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

### PUBLIC FUNDS DIVISION

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

**Matthew H. Mead**  
 Governor

**Jeffrey C. Vogel**  
 Director

**Pamela Robinson**  
 Administrator

June 26, 2015

Town Council  
 c/o Mayor Marrolyce Wilson  
 Town of Mills  
 704 Fourth Street  
 P.O. Box 789  
 Mills, WY 82644

Dear Mayor Wilson:

We are issuing this audit report pursuant to the requirements of Wyoming Statute 9-1-507. This statute authorizes the Department of Audit to audit towns. The Town of Mills submits the Annual City and Town Financial Report (F-66 Report) providing financial information to the Department of Audit each fiscal year in accordance with Wyoming Statute 9-1-507(a)(vii).

**Objective:** The audit was to determine if the Town of Mills was in compliance with Wyoming State Statutes and to verify the accuracy of the F-66 Report.

**Scope and Methodology:** We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit was from July 1, 2013 to June 30, 2014, including the F-66 Report. The following tests were performed during the performance of the audit.

- Interviewed the Mayor, Judge, Clerk/Treasurer, Clerk of Court, and Office Staff
- Performed bank reconciliation and verification
- Compared revenues reported by the State of Wyoming and County Treasurer distribution reports to the F-66 Report (referred to as “third party revenues”)
- Compared Municipal Court revenues to the F-66 Report
- Traced a judgmental sample of 10 revenues, representing 51% of the remaining dollar amount of other revenues in the F-66 Report from receipting to bank deposits
- Randomly and judgmentally selected 249 expenditures in the F-66 Report to vouch to supporting documentation and Town Council approval
- Tested 192 unusual items identified during the general ledger accounts review, which included voided, abnormal, duplicate, missing, or out of sequence check numbers

- Tested 43 unusual items identified out of all MasterCard purchases during the MasterCard statement review
- Reviewed grant contracts and supporting documentation to determine compliance with grant provisions
- Reviewed a random and judgmental sample of 178 individual utility collections for accuracy in billing and collecting and determined it was self-supporting
- Tested a random sample of 184 payments made to the Municipal Court to ensure compliance with State Statute
- Judgmentally selected 19 employees to review payroll records and determine authorized pay rates were applied appropriately and required employee records were on file
- Reviewed the internal controls surrounding key processes and procedures, including information technology

Based on the procedures identified above, possible violations of the Constitution and State Statute were identified. These violations and additional findings are presented in the accompanying summary of findings and recommendations.

This report is intended solely for the use of the specified users listed; however, this report is a matter of public record and its distribution is not limited.

*Public Funds*

Public Funds

cc: Governor's Office  
Natrona County Clerk  
Natrona District Attorney



## EXECUTIVE SUMMARY

The overall fiscal responsibility and accountability for the Town of Mills rests with the governing body, which includes the Mayor and Town Council. This audit focused on Wyoming law and how the Town complied with it. The audit also determined the accuracy of the F-66 Report as of June 30, 2014 by reviewing supporting documentation. The areas specifically focused on were:

1. Fiscal Controls
2. Compliance
3. Accuracy

A short summary of the focus areas are discussed below. For additional detail on the areas audited, refer to each specific section in the rest of the report.

### **Poor Fiscal Controls**

Assets were not adequately safeguarded due to poor fiscal controls. The following were incurred due to the lack of governing body direction and oversight of financial operations:

- Lack of proper cash management, which may have resulted in missing funds.
- Poor accounting practices, resulting in unrecorded revenues and misclassifications of transactions, which ultimately led to apparent non-compliance of W.S. 15-2-203 and grants recording provisions.
- No review of fiscal operations to ensure accuracy and completeness.
- Inability to provide supporting documentation for riskier items.
- Lack of oversight of high-level fiscal operations, causing increased risk of unauthorized transactions occurring, loss of financial data, and poor economic use of funds.
- Lack of reconciliations of Municipal Court funds did not ensure monies were remitted accurately to the general fund.

### **Non-Compliance**

The following Wyoming Constitution and Statutes were not followed due to the lack of specific knowledge of how Wyoming laws related to financial operations:

- Bank accounts were under pledged by \$1.1 million and not all persons with custody of monies were bonded. (W.S. 9-4-817, W.S. 38-2-101, W.S. 15-1-124)
- Payments appeared to be donations on behalf of an independent non-profit entity. (Wyoming Constitution Article 16, Section 6)
- Activity on a Town credit card may be construed as a line of credit to an employee. (Wyoming Constitution Article 16, Section 6)
- Expenditures had improper authorization. (Wyoming Constitution Article 16, Section 7)
- Not all monies owed to the Town were settled at the end of each month. (W.S. 15-1-126)
- Not all State Statutes regarding posting of reports were met. (W.S. 9-1-507(a)(vii), W.S. 15-1-110, W.S. 15-2-204)

### **Accuracy**

Notwithstanding the poor fiscal controls and non-compliance, the F-66 Report was materially accurate regarding cash, revenues, and expenditures.

## POOR FISCAL CONTROL

With a population of 3,461 recorded in the 2010 Census, \$6.9 million in revenues and \$5.9 million in expenditures in fiscal year 2014, the Town had substantial fiscal operations, ranging from more than a quarter of a million dollars in grant monies to a million dollars in yearly utility collections. With such significant cash flow, proper financial management is essential to ensuring the safeguarding of assets. However, the Town had extremely poor fiscal controls caused by the lack of governing body direction and oversight.

Even though specific fiscal responsibilities are given by law to specific elected or appointed officials, the governing body is responsible for the overall fiscal affairs of the community. This is done through their powers to appoint as well as review and prescribe rules and regulations.

While the F-66 Report was accurate, there were no controls in place to prevent or detect a material misstatement to the recording and reporting of financial activity. The staff had limited direction from the governing body as no fiscal policies or procedures, such as accounting, investment, petty cash, credit card, reimbursement, or overtime policies, existed. As a result, the Town had no cash management procedures to limit the risk of asset misappropriation, exercised poor accounting practices, mismanaged its grants as staff did not follow grant recording provisions, was unable to provide all requested supporting documentation, and had no review for accuracy of fiscal activities from daily operations to monthly reports. Further, the overall lack of governing body oversight resulted in the increased risk of unauthorized transactions, loss of financial data, and poor economic use of funds.

### **Poor Accounting Practices:**

The lack of proper cash management may have resulted in missing funds. The cash drawer was not balanced at the end of each day and a daily reconciliation between the monies receipted and the monies received was not performed. This resulted in an environment where the amount of cash that should have been on hand was often unknown. Cash deposits were made haphazardly and not intact, resulting in the inability to track individual collections to the bank. With the lack of accountability for the cash in the Town's possession, it appeared not all cash receipted was deposited into the Town's bank accounts.

Revenues other than utilities and miscellaneous revenues were not receipted. Therefore, many items, such as check stubs, utility reports, and hand-written notes were used to record revenues into the accounting software. The lack of a systematic method to receipt revenues and the fiscal staff's overall lack of accounting knowledge resulted in inconsistent and unorganized accounting records.

W.S. 15-2-203 "The treasurer of the town shall keep his accounts so as to show when and from what sources all monies paid to him have been derived and to whom and when the monies or any part thereof have been paid out."

This caused instances where the same revenue was recorded multiple times and other instances where revenues were not recorded at all. In addition, specific sources of revenues were often not identified prior to recording, resulting in incorrect classifications of revenues, which also appeared to violate W.S. 15-2-203. Issues related to misclassified grant monies ultimately led to non-compliance of grant recording provisions.

Further, while a "Grant" class existed in the records, specific grants were often not associated with the expense. This type of accounting resulted in the inability to identify and distinguish one grant from the next. As the fiscal staff was unable to identify all grants, grantors had to be contacted to provide supporting documentation such as contracts, invoices, and third party payments to assist in the identification of all grants.

### **Lack of Review and Governing Body Oversight:**

The governing body review was limited to approving expenditures prior to payment. No additional reviews were performed on fiscal activities to enhance the accuracy and decrease the risk of unauthorized access to assets. Specifically, no one reviewed:

- Collections received verses collections deposited.
- Journal entries or monthly bank reconciliations.
- Payments made to what was approved to ensure the payments were authorized.
- Monthly profit and loss statements provided to the Council against records to ensure they reflected the same information.
- The F-66 Report prior to submitting the report to the Wyoming Department of Audit.
- Who had access to assets to ensure it was limited to only authorized personnel.

With no review of financial activities from receipting to depositing, to recording and reporting, the following errors and mismanagement were not identified and corrected in a timely manner.

- A double booking of a \$24,689 expense was charged against accounts payable and remained outstanding from October 2013 until December 2014, when a contracted bookkeeper was hired and the error was identified and reversed.
- A variety of errors were noted in expenditures when expenses were compared to supporting documentation. The errors ranged from payments being issued, approved, and sent to a wrong vendor, wrong dollar amounts paid as compared to the invoice or direction from the Department Head, and incorrect classifications of expenditures in the accounting system.
- No invoices or receipts were provided for 15 of 43 MasterCard purchases identified during the unusual items test.
- Bank reconciliations were not performed after the former Treasurer left Town employment.
- Back-ups of accounting system data were not performed adequately and were unreliable, as the Town lost data when both essential accounting systems crashed.
- Signature cards were not kept current. A former Mayor who left the Town in the early 2000s and one employee who left the Town's employment in March 2012 remained signatories on one bank account until March 2015. Also, a former Treasurer was not removed from all bank accounts until ten months after termination.
- A terminated employee's Town credit card was active and used by other employees for ten months after termination.
- Outstanding balances on credit cards were not paid in their entirety, resulting in \$300 of interest and fees assessed on the Town. Of the \$300, \$76 related to one employee overspending the approved credit limit twice.

It appeared a bank account used for Emergency Medical Services was not adequately supervised by the Mayor or Council. The account, which received State money, was not disclosed as a bank account managed by the Town. It was not included in the F-66 Report and bank statements were not provided. Without such information, tests regarding the authorization of spending and depository compliance could not be performed. The Town's Fire Department appeared to manage the account; however, it is uncertain if it was under control of the governing body.

### **Recommendations:**

The governing body should create policies and procedures to establish expected behavior and guidelines for best practices. Policies would also serve to increase effectiveness and efficiency in the fiscal operations. Each item should include how the Council will ensure the compliance of the policy or procedure. Council should periodically review policies and procedures for continued relevance and effectiveness in achieving the Town's objectives and addressing related risks. Such policies and procedures should include at least the following items:

1. Detailed cash management procedures, such as receipting requirements, how much money is to be left in the cash drawer, what information is required on a daily reconciliation, how often deposits have to be made, if a review is required and how often, etc.
2. Detailed procedures on how to record revenues and expenditures in the accounting system.
3. Require related grant revenues and expenses to be clearly identified, readily accessible, and kept separate and apart from all other such documents. Within the accounting system, this should be done using “classes” to distinguish each grant.
4. To ensure supporting documentation is available to the public, require the State’s records retention policy to be reviewed and followed.
5. Detail of the required reviews to enhance accuracy of operations.
6. Credit card policy to include credit limits for different employee functions; who reviews credit card statements.
7. Procedures taken when an employee leaves employment to ensure access to funds is eliminated, such as update to signatory cards and credit card cancelation.
8. Set back-up requirements of accounting systems, determine where back-ups will be stored, and how often they will be tested to ensure they work.
9. All bank accounts must be managed by the Mayor and Council. All expenditures must be approved by the governing body, recorded in the Council meeting minutes, and signed by the Mayor and Treasurer.

Policies can help mitigate some of the lack of knowledge of financial activities; however, policies cannot make up for an inadequate understanding of accounting. Therefore, it is recommended current staff receive additional training to increase their ability to adequately account for fiscal activities. Further, when hiring new fiscal staff, a minimum set of qualifications, such as a certain level of education and number of years of relevant experience, should be considered.

#### **Municipal Court Concerns:**

Reconciliations were not performed between the bank account and the Court’s checkbook and the accounting system. This resulted in the Court appearing to have an excess amount of funds not correlated to the amount of bonds held. The Court may only hold bonds not yet forfeited, as the bonds are not general fund money until forfeited. The Judge was unsure why there appeared to be an excessive amount of money in the Court’s bank account. The excess of funds may be forfeited funds, which should be transferred to the general fund per W.S. 5-6-303.

Without a reconciliation, there is a potential control weakness as the Judge is the only signatory on the Court’s bank account. While the Clerk of Court received and receipted payments of fines and the Judge deposited the money, there was no way to ensure the controls were effective in preventing errors or deception.

Not all monies owed to the Town were settled at the end of each month. The Municipal Court only remitted payment to the Town every two months. W.S. 15-1-126 requires every officer and employee collecting monies belonging to the Town to settle with the treasurer the last day of each month. Further, when the funds were remitted to the general fund, \$21,337 or 14% could not be found as recorded in the Town’s financial records.

**Recommendations:**

The Municipal Court should determine the amount of funds they rightfully should have in their bank account to satisfy bonds held. Any remaining funds should be provided to the general fund to satisfy W.S. 5-6-303. In addition, any payments due to the general fund should be provided at least monthly as required by W.S. 15-1-126. All payments remitted should be recorded in the Town's records. The Court should implement a reconciliation between the checkbook and bank account, as well as a reconciliation to its accounting system. This will help to ensure proper accounting of funds and to identify when an error has occurred.

**NON-COMPLIANCE**

The Town did not comply with the Wyoming Constitution and State Statutes due to the Town's lack of specific knowledge of how Wyoming State laws relate to town operations.

An increased risk of loss of funds existed as bank accounts were under pledged by approximately \$1.1 million (W.S. 9-4-817) and not all employees with custody of monies were bonded as required by W.S. 38-2-101 and W.S. 15-1-124.

It appeared Wyoming Constitution Article 16, Section 6 was violated. The Town consistently paid expenses on behalf of the Central Wyoming Senior Services, Inc. (Senior Center). This entity was registered with the Wyoming Secretary of State as a non-profit and was independent of the Town. Many of the Senior Center's expenses, such as utilities were paid and the Senior Center was not

Wyoming Constitution Article 16, Section 6  
 "Neither the state nor any ... town ... shall loan or give its credit or make donations to or in aid of any individual, association or corporation, except for necessary support of the poor..."

charged rent for the use of a Town building. Further, a donation to a golf tournament was made. Therefore, it appeared the payments and building usage were donations.

Further, the Town held full liability on Town employee credit cards. It was responsible for all charges made and for making payments on the cards. One employee's credit card carried an increasing amount of debt over the course of the fiscal year. This card also appeared to have payments not made by the Town. As the Town was liable for all expenses, no matter business or personal, it appeared the Town extended its credit to the employee.

Not all expenditures were properly authorized per Wyoming Constitution Article 16, Section 7 and W.S. 15-1-125. Of tested vouchers, 36% did not have signed perjury statements. Of checks cleared during the fiscal year, 78 checks were not signed in accordance with W.S. 15-1-125(b). The Mayor was the sole signatory on two checks and the Mayor's signature was absent from 76 checks, one of which was only signed by one signatory.

The following statutory reporting and publishing requirements were not met:

- The F-66 Report was significantly delinquent as it was submitted to the Department of Audit on December 24, 2014, when it was due September 30, 2014 (W.S. 9-1-507(a)(vii)).
- While approved voucher listings were available during Council Meetings, the approved expenditures were not published in the Council Meeting Minutes (W.S. 15-1-110).
- The Town did not publish or post its notice of receipts and expenditures immediately after the end of the fiscal year (W.S. 15-2-204).

**Recommendation:**

The Council should develop a policy manual that specifies all laws and statutes to which a town must adhere. The policy manual should detail the steps needed to satisfy each requirement and should assign the Councilman responsible for ensuring adherence. To ensure timely compliance, this policy should include a timeline of requirements to draw attention to the important dates for which information is due to the State and local citizens. The policy should also include details of when the Council should consult the Town Attorney for an opinion as to the legality of any expenditures or actions that may appear to be donations. To assist in the policy manual development, the Town should utilize available resources. Many relevant statutes are discussed in the Department of Audit's Wyoming Municipal Handbook. The Town Attorney should review the policy to certify it is legally acceptable and appropriate.

Town of Mills  
Rebuttal to Town's Response  
Year ended 6/30/2014

The Department of Workforce Services deposits finding was removed from the report as the Town provided evidence the money from the State was provided to the Town through a contracted third party entity.

The Emergency Medical Services (EMS) account statements were not provided for the audit. The auditors became aware of the EMS account through the question of the deposits from the Department of Workforce Services, as mentioned above. Explanation of the Emergency Medical Services account was not explained to the auditors until the audit report response. Therefore, the governing body oversight over the EMS account was not verified. The Ambulance bank account statements were provided for the audit.

February 3, 2016

Richard Q. Cummings CFE,  
Auditing Manager Wyoming  
Department of Audit Public  
Funds Division  
Herschler Building, 3<sup>rd</sup> Floor East  
122 West 25<sup>th</sup> Street  
Cheyenne, WY  
82002

Re: Draft Audit Report, Town of Mills, Wyoming

Dear Mr. Cummings,

Thank you for providing your draft audit report. We are grateful for the opportunity you have provided to conduct a thorough review of the fiscal operations of the Town of Mills. We believe the Town has benefited from your department's expertise and guidance. Attached please find a copy of the Town of Mills' response to the draft report. We trust the measures implemented by the Town will insure the continued financial security of our community. Please feel free to contact us if you have any questions or additional concerns.

Very truly yours,



Marrolyce Wilson  
Mayor, Town of Mills, Wyoming

cc. Robert J. Hand, Jr.  
Mills Town Attorney



## **Audit Response - Town of Mills, Wyoming**

### **Fiscal Control Measures**

- a. Procedures have been implemented by the Town to prepare daily reports including the balancing of all cash and check revenues. Copies of all deposit slips are included and these reports are being reviewed by the Mayor and Town Council on a minimum monthly basis. The Town Council and Town Clerk are in the process of updating office management policies which will address in further detail all cash management procedures, including receipting requirements, information required for each daily reconciliation, specifying how often deposits are to be made, how much petty cash should be left in the cash drawer, and procedures for the periodic review of fiscal operations of the Town by the Mayor and Town Council. This policy will be reviewed by the Town Attorney prior to adoption and approval by Town Council.
- b. Caselle software has been installed and set up to provide detailed and accurate accounting of the source and amount of all revenues. The software will also track when and to whom any such revenue is paid out. This accounting process is being applied to transactions from all accounts including transactions arising from grant funds.
- c. The Town's voucher process has been adjusted. No vouchers will be allowed or paid without including a fully itemized written statement and a signed perjury certification as required by Article 16, Section 7 of the Wyoming Constitution.
- d. In addition to the installation of the Caselle software for its accounting and record keeping, the town has retained an independent information technology firm to provide data security measures and backup procedures.
- e. The Town is seeking the services of a professional certified accountant with experience in municipal government to assist in the establishment of additional safeguards and controls to manage its fiscal operations.
- f. The town has retained and will continue to use the services of a grant administrator to clearly identify all grant revenues and expenditures, maintain all documents relating to any grants readily accessible and separate from other documents and comply with the Town's grant reporting requirements.

- g. The Clerk of Municipal Court had been directed to prepare reconciliation reports of all bonds held by the court. The Clerk has been directed to provide copies of all Municipal Court bank statements to the Mayor and Town Council for review and oversight on a monthly basis. The Clerk has also been directed to disperse funds generated by the Municipal Court to the Town's general ledger on a monthly basis.
- h. The Town will adopt policies and procedures to be taken when an employees leaves employment and when any Council member resigns or their terms expire. Although no unauthorized access has been shown or identified, these policies will eliminate any potential access to public funds once employment is terminated. The policies will include updating bank signature cards and the cancellation of any credit cards.
- i. The Town has added the Mayor Pro-tem to its banking signature cards to authorize this official to execute drafts on behalf of the Town in situations where the Mayor is absent or unavailable.
- j. The Town will continue to provide ongoing training to assist staff members in their ability to accurately account for fiscal activities. The Town will also evaluate and update if necessary the minimum qualifications, including experience and educational requirements, for any new employees to be hired in the future.

#### **Compliance with statutes and constitutional requirements**

- a. Any potential issues arising from W.S. §9-4-817 have been addressed. All public funds remain held in FDIC Insured accounts and are pledged by sufficient monetary value.
- b. All Town employees required to be bonded by W.S. §38-2-101 have been bonded.
- c. Donation to Non-Profit Corporations: All Council members have been made aware of Article 16 Section 6 of the Wyoming Constitution. The Town is also considering the adoption of a new written policy (to be signed by all present and new council members and employees) which will specifically prohibit any persons from acting in connection with their service to the Town in any manner which may be construed as a donation to, or in aid or any individual, association or corporation except for necessary support of the poor. In addition to the foregoing the Town is in the process of negotiating a formal lease agreement with Central Wyoming Senior Services, Inc. for their continued use of Town facilities so that meal services for senior citizens may continue without interruption.
- d. The Town is in the process of adopting a written policy, required to be signed by all employees having access to lines of credit. The policy contains specific

requirements that every purchase shall be accompanied by a receipt specifying each item or service purchased in every occasion to document the legitimacy of a business purchase. The policy will specify that any employee making unauthorized purchases or failing to obtain a specific receipt for any purchase will be held personally liable for all expenses incurred by the Town including any fees and interest if applicable. The policy will also provide that the amount of such liability will be deducted from the employee's payroll and that such employee may be subject to additional sanctions including termination.

- e. The Town has revised its purchase order and voucher system to generate all required documentation.
- f. The Town Council is working on adopting an Ordinance which will specify that the Municipal Court settle with the Town Treasurer on a monthly basis all monies collected or received by the Court. Because the Court collects monies up to and including the last day of each month the settlement for each month will be required to be submitted on or before the 10<sup>th</sup> day of the following month as authorized by W.S. §15-1-126.
- g. The Town has retained an independent accounting firm to prepare and submit all required reports, including the F-66 report (due on or before September 30<sup>th</sup> of each year), and the annual report showing the receipts and expenditures of the Town specifying (1) the amount budgeted and actual receipts for all revenue sources, (2) the specific amount and purpose of each appropriation and (3) the actual expenditures made against each appropriation as required by W.S. §15-2-204. (Due immediately after the end of the fiscal year and to be posted for public inspection in the office of the Town Clerk and two other public places) Reminders have been set up to follow up with the accountants to insure the reports are timely submitted to the Mayor and Town Council for review and oversight before the required due dates.
- h. The Town has implemented a policy to post for public inspection all approved expenditures along with the minutes of all regular and special meetings of the Town Council for at least ten days in the office of the Town Clerk and at such other places as the Town Council determines as provided by W.S. §15-1-110.
- i. The Town will implement a policy to post, within sixty (60) days after the end of each fiscal year, the name, position and gross monthly salary of each full-time employee and each elected official of the Town. The report will contain a brief statement specifying that all salaries are listed as gross monthly salaries or actual monthly wages, not including any fringe benefits such as health insurance costs, life insurance benefits or pension plans and do not include any overtime the employee

may earn. Since there is presently no newspaper published within the Town, this report will be posted for public inspection at the office of the Town Clerk and such other places as designated by the Town Council as provided by W.S. §15-1-110.

#### **Department of Workforce Services deposits**

The draft audit report identifies \$6,260.00 in alleged missing deposits from the Wyoming Department of Workforce Services during fiscal year 2014 for ambulatory services provided to claimants. Following the date of the draft audit report, the Town has provided additional information to representatives of the Wyoming Department of Audit which is believed to demonstrate these deposits were accurately accounted for through the services of a third party billing and collection service used to process these payments. Should any further information be necessary to eliminate any concern in this matter please advise.

#### **Emergency Medical Services**

Emergency Medical Services has been contracted by the Town of Mills to handle all billing services and payments for said services for all EMS and Ambulance calls for the Mills Fire Department. The Mills Fire Department logs all EMS/ambulance calls into the WATRS program which is a Wyoming state controlled site. Emergency Medical Services then pulls data from the WATRS site and bills insurance companies, workmens comp, medicare and private parties for services rendered. The Town of Mills has no control over the Emergency Services account until the money is paid into the Mills Ambulance account. Emergency Medical Services and Medicare deposits collected funds into the Town of Mills Ambulance account on a minimum weekly basis. It is our understanding that this information was made available during the audit. If this information is incorrect please advise so we may provide the correct information. Emergency Medical Services invoices and bank statements are being reviewed by the Mayor and Town Council on a minimum monthly basis.

Eden Valley Improvement  
and Service District  
2018



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

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

**Matthew H. Mead**  
 Governor

**Jeffrey C. Vogel**  
 Director

**Pamela Robinson**  
 Administrator

October 22, 2018

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

Dear President Eaton:

We are issuing this audit report pursuant to the requirements of W.S. 9-1-507(a) (v). This statute authorizes the Department of Audit to audit special districts. In accordance with W.S. 9-1-507 (a) (vii), the district submits the Annual Survey of Local Government Finances (census report) providing financial information to the Department of Audit each fiscal year.

**Objective:** The purposes of our audit were to determine

1. the accuracy of the numbers reported in the census report
2. adequacy of internal controls
3. whether the district was in compliance with applicable statutes and regulations

**Scope and Methodology:** We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit is from July 1, 2016 to June 30, 2017, including the census report. We interviewed the President of the district, the bookkeeper, and the CPA who assists the district with financial reporting. The following list of tests was accomplished during the performance of the audit:

- compared select census report debt and revenue with third party confirmations and the district's general ledger
- vouched selected expenditures in the census to supporting documentation and board approval
- performed bank reconciliations and verifications
- interviewed key personnel to identify the internal controls that were significant to the objectives of our audit, as well as determined whether they were operating as intended
- reviewed district's compliance with laws and regulations
- reviewed accuracy of the follow-up paperwork required by the Department of Audit

Sample size determination for attribute testing uses the means estimation formula for the given population size and assessed risk level. Sample size determination for control testing is influenced

by the significance of the controls and the inherent risk of the system under consideration. Unless otherwise noted, testing was performed on a random sample basis.

Based on the procedures identified above, possible violations of the Wyoming Constitution or State Statute were identified. These violations and additional findings are presented in the accompanying summary of findings and recommendations. This report is intended solely for the use of the specified users listed; however, this report is a matter of public record and its distribution is not limited.

*Public Funds*

Public Funds

cc: Governor's Office  
County Clerk

## EXECUTIVE SUMMARY

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

### **Compliance**

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

### **Accuracy**

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

### **Internal Controls**

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



## Compliance

### **No Perjury Statements:**

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

### **No Investment Policy:**

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

### **Cancelled Meetings:**

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

## Accuracy

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

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

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

## **Adequacy of Internal Controls**

### **Other Internal Controls:**

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

## **Recommendations**

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

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

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

Dustin Eaton, President

P.O. Box 344

Farson, WY 82932

Phone: 307-273-9807



November 5, 2018

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

Dear Mr. Cummings:

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

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

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

Sincerely,

Dustin Eaton, President  
Eden Valley Improvement District



Response to Audit of Eden Valley Improvement District  
November 7, 2018

#### Compliance

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

#### Accuracy

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

#### Internal Controls

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

Platte County School District #1  
2016



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

### PUBLIC FUNDS DIVISION

(307) 777-7798 Fax (307) 777-5341

Email: pam.robinson@wyo.gov

**Matthew H. Mead**  
Governor

**Jeffrey C. Vogel**  
Director

**Pamela Robinson**  
Administrator

February 8, 2016

Board of Trustees  
c/o Mr. Dennis Fischer  
Platte County School District #1  
1350 Oak Street  
Wheatland, WY 82201

Chairman of the Board:

We examined the Wyoming Funding Model regarding Platte County School District #1 - specifically, the data submitted to the WDE for the audit period, July 1, 2013 through June 30, 2014.

Wyoming Statute 9-1-513 requires we "Conduct periodic audits of each school district pertaining to data required to be submitted to the department of education under law and by rule and regulation of the state superintendent of public instruction for purposes of implementing and operating the "school finance system" as defined under W.S. 21-2-203(a)."

### ***OBJECTIVE***

Our objective is to verify information submitted for funding Platte County School District #1 is accurate and complies with statute.

### ***SCOPE & METHODOLOGY***

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The procedures and techniques used are designed to determine the accuracy of data submitted to the WDE. The procedures and techniques used included:

- Reconciliations,
- Interviews of staff and management,
- Sampling techniques,
- Detailed testing of source documentation,
- Review of district policies and procedures,
- Recalculating results from source documents.

We reviewed internal controls relating to the reported findings. These controls included:

- Procedures for ensuring valid and reliable data are submitted.
- Policies and procedures to reasonably ensure resources are used according to law and regulation.

Sample sizes were determined using the means estimation formula for the given population size and assessed risk level. Unless otherwise noted, testing was performed on a random sample basis with the error rate projected to the entire population from which the sample was drawn. Prior to any projections, sample results were reviewed for representativeness.

Platte School District #1 is responsible for the accuracy and reliability of information submitted to the WDE. Our responsibility is to determine the accurate presentation of this requirement.

The accompanying audit of Platte County School District #1 for Audit Period: July 1, 2013 through June 30, 2014 presents the results of our audit.

This report is intended for the Legislative Management Audit Committee, Departmental Management, and other regulatory state agencies. This report is a matter of public record and distribution is not limited.

*Public Funds*

Public Funds Division

cc: Governor's Office  
Legislative Service Office – Tania  
Hytrek  
District Business Manager- Joel  
McDaniel

Platte County Clerk  
Wyoming Department of Education – Jed  
Cicarelli

**Wyoming Education Audit of Platte School District #1**  
**Audit Period: July 1, 2013 to June 30, 2014**

**EXECUTIVE SUMMARY**

This audit focused on the accuracy and reliability of data reported to the WDE. The data submitted is entered into the Wyoming Funding Model to calculate the funding for each district.

The elements of the Wyoming Funding Model specifically addressed were:

- Average Daily Membership,
- Transportation,
- Special Education,
- At-Risk,
- Teacher Seniority,
- Central Administration,
- School Administration,
- Payroll,
- Vocational Education, and
- Local Resource

The net effect of all errors for the entire audit period is (\$24,834) due from the school district.

There were two major contributors to these errors:

***Special Education Payroll***

Misreporting of special education payroll contributed to the largest error in reporting. The district did not deduct the correct non-reimbursable retirement amount from the total retirement claimed on the WDE 401. In addition, there were several reconciliation variances in special education substitute pay between what was reported on the WDE 401 and in the payroll reports. All of the variances required changes from what was reported on the WDE 401. One time and effort employee also did not have support to show he worked in the special education area; therefore, all salaries and benefits related to this employee were denied. The remaining errors consisted of time calculation errors with three special education employees in the sample and reporting errors with two special education employees who were tested at 100%.

***Teacher Seniority***

Misreporting of teacher experience resulted in the change for teacher funding. The district did not update the audited changes in experience for two teachers from prior audits. In addition, there were five additional teachers who had more or less experience than what was reported, who were not tested in prior audits. It appears the district did not review employee file information when reporting experience as several teachers required adjustments to their experience.



The following table outlines the dollar change associated with the sections in the following report.

DESCRIPTION	Funding Year 2015	
	CHANGE To (From) School Districts	RESULTS
Original Foundation Guarantee		\$17,090,585
ADM Change	\$2,421	
Transportation Change	(\$6,356)	
Special Education Change	(\$29,736)	
At-Risk Change	(\$2,270)	
Teacher Seniority Change	\$14,265	
School Administration Change	\$1,631	
Vocational Education	\$4,547	
Sub Total For Changes Prior to Foundation Guarantee		(\$15,498)
Corrected Foundation Guarantee		\$17,075,087
Less Local Resource <sup>1</sup>	\$9,336	\$5,749,097
Adjusted Foundation Entitlement		\$11,325,989
Original Foundation Entitlement Paid		\$11,350,823
Amount To (From) School District		(\$24,834)

<sup>1</sup> An increase in local resources results in a decrease to district funding.

## CHAPTER 1

### AVERAGE DAILY MEMBERSHIP

Criteria: W.S. 21-13-101, W.S. 21-13-307, W.S. 21-4-302, W.S. 21-3-314, W.S. 21-4-502, W.S. 21-13-309, W.S. 21-4-501

**OBJECTIVE:** To determine if ADM is accurately calculated and reported to the WDE.

**Condition/Effect:**

The district's ADM was calculated correctly. We used the district's PowerSchool student information system to reconcile the ADM claimed on the WDE 600. Read-only access was provided to view student demographic, attendance, and enrollment information. ADM testing was done using a random sample of 90 out of 1,128 students enrolled in the district during school year 2013-2014. There were no students with errors within the sample. We also reviewed 14 students at 100% as they created reconciliation variances between the membership reported in PowerSchool and on the WDE 600. There were no students with errors within the 100% testing population. There only adjustment in the funding model occurred from the changes per the School Year 2011-2012 full ADM audit. These adjustments did not get updated in the current funding model; therefore, an adjustment for two ADM was necessary.

We also identified a control weakness in the amount of days students attended the Glendo schools. Schools were in session for 174 days, rather than the required 175 days and did not have an approved alternate schedule from WDE. All schools were determined to have met the minimum hour requirements to count their ADM.

**According to W.S. 21-4-301:** "... Each school district shall operate its schools and its classes for a minimum of one hundred seventy-five (175) days each school year unless an alternative schedule has been approved by the state board."

There will be a separate report issued only to the district management detailing technology issues related to the student information system security, due to the sensitive nature of those issues.

**Recommendation:**

It is recommended all schools should either meet for the required 175 school days or have an alternate schedule approved by WDE. The district runs the risk of having all ADM denied for schools who do not have an approved alternate schedule and do not meet the minimum hours requirements. There is no recommendation for the prior audit adjustment as it was outside of the district's control for the current school year.

## CHAPTER 2 TRANSPORTATION

Criteria: WDE Rules and Regulation Chapter 20, Section 9(g), Section 7, W.S. 21-13-320

**OBJECTIVE:** To determine if the school district offsets the cost of new buses with the trade-in or sale value of replaced buses originally reimbursed by the WDE.

**Condition/Effect:**

The district offset the cost of new buses with trade-in values, and accurately reported bus leases and purchases. We reviewed all invoices for bus purchases and verified the trade-in value was correctly offset on the invoice and accurately reported to WDE. No control weaknesses were identified in relation to the cost of new buses.

**OBJECTIVE:** To determine if the school district accurately tracks and reports isolation and maintenance payments.

**Condition/Effect:**

The district did not track and report isolation payments accurately. A 100% review was performed on the 14 isolation and maintenance transactions to confirm accurate payments were made, payments matched what was reported to WDE, mileage rates were in line with WDE approved rates, the district correctly deducted two miles each way, and there was a board approval for each family. Isolation payments made to one family were more than the approved mileage; therefore, an adjustment was necessary to reduce the reimbursable isolation to the approved mileage, in the amount of (\$718). With the exception of the lack of review to confirm the mileage paid was equivalent to the mileage approved, no other weaknesses in controls over isolation and maintenance were identified.

**According to W.S. 21-4-401(d):** "...To receive transportation payments under this section, the parent or legal guardian of any isolated pupil eligible under this section shall file a transportation reimbursement claim with the district on a form provided by the district specifying the total round trip miles traveled each day to and from the bus stop or the school, as applicable. The total round trip miles shall be multiplied by the applicable mileage rate prescribed under W.S. 9-3-103(a)(iii) to compute the daily mileage reimbursement amount."

**OBJECTIVE:** To determine if reimbursable expenditures are accurately reported.

**Condition/Effect:**

Transportation expenditures were not reported accurately. We reviewed invoices provided by the district noting the vendor, date, and item purchased. Additionally, we reviewed the corresponding check stubs for vendor and date. A random sample of 84 expenditures was tested of 570 reported. The total error was (\$124) or (.19%) which was projected to the transportation population. This error consisted of non-reimbursable expenditures in the form of window tinting, a filter for a mower and one calculation error. In addition, 14 other expenditures, less isolation payments, were reviewed at 100%. The total adjustment was \$6,718 consisting of two expenditures denied and two expenditures added back to the WDE 103, as they were not initially claimed for reimbursement. The denied expenditures related to repairs to the bus garage, and the added expenditures included a lease payment which the

district did not claim and a computer for the transportation department. Per WDE Chapter 20, Section 6(a), non-reimbursable expenditures include those made to the bus garage for repairs and maintenance.

In addition, there was a control weakness identified regarding the overall review process as several expenditures were non reimbursable or initially left off the WDE 103 for reimbursement. In addition, it appears the business manager can perform consecutive steps in the transportation expenditure process and there is no additional review of the information entered on the WDE 103 to ensure its accuracy.

**OBJECTIVE:** To determine if allowable salaries and benefits are accurately reported.

**Condition/Effect:**

The district did not accurately report transportation salaries and benefits. We reviewed payroll information for a random sample of five out of a total population of 50 transportation employees. A review of paystubs was performed to confirm the wages were correctly reported to WDE, and an aggregate review of benefits was performed to determine if amounts were accurately paid and within a reasonable percentage. One employee's pay included a calculation of time error, which was projected to the entire transportation payroll population, resulting in a (\$416) change. In addition, the district did not make the one percent retention incentive adjustment, as it was directly reimbursed from WDE, resulting in a (\$3,804) adjustment. Further, the district did not perform the correct non-reimbursable retirement adjustment prior to reporting on the WDE 103, which resulted in over claiming (\$6,212) in benefits.

Several control weaknesses were also identified within the transportation payroll. Firstly, the same person had the ability to add/delete employees and cut payroll checks. Although an authorization form was required to add/ delete employees, the logs within the payroll system were not reviewed on a consistent basis. Without the constant review of the logs, there was the potential for someone to circumvent the authorization form and cut a payroll check to an employee who was not authorized. Also, a lack of sufficient knowledge of reimbursements from the state and its effect on reporting on the WDE 103 may have resulted in the district not ensuring adjustments were made for direct reimbursements from the state for the reimbursable retirement and the one percent retention incentive. Finally, there appears to be a lack of written procedural information on how to perform payroll tasks from the prior business manager, as there were significant errors in reporting compared to the prior audit.

**Recommendations for Transportation:**

It is recommended the district be in strict compliance with WDE Chapter 20, Section 12(b) and W.S. 21-4-401(d) for all applicants of isolation payments. All payments should be paid with an approval for the amount to be paid for each family approved by the board, based on the approved amount of mileage. In addition, the district could benefit from an additional review to determine if all information reported on the WDE 103 is accurate. A review of all expenditures should be performed to ensure they are reimbursable and all applicable transportation related expenses are included for reimbursement.

The district should consider an additional review and reviewing the process for reimbursed portions of the WDE 103. It should ensure all state reimbursed portions are not also claimed for reimbursement. In addition, the district should consider adding an additional review

process to ensure all time reported is accurate with no calculation errors. The district should also have someone separate from the adding/deleting employee process, review all additions and deletions on a constant basis. This could help ensure all additions and deletions were properly authorized. Further, all procedures should be written down in sufficient detail so payroll processes could be easily duplicated.

### **CHAPTER 3 SPECIAL EDUCATION**

Criteria: W.S. 21-13-321, WDE Rules and Regulations Chapter 8, sections 13 and 15,  
W.S. 21-13-320

**OBJECTIVE:** To determine if reimbursable expenditures are accurately reported.

**Condition/Effect:**

The district accurately reported special education expenditures for reimbursement within reason. We reviewed the district's detailed general ledger, invoices, and check stubs when testing special education expenditures. A random sample consisting of 45 expenditures of the total population of 241 special education transactions was tested. There were no errors identified in testing. Two errors were identified in the two items reviewed at 100%. The district claimed two expenditures for reimbursement which were for general population testing, including a contract for kindergartener testing and a contract for calibration of auditory machines. The kindergartener screening was a repeat finding from prior audits. These errors totaled (\$8,231). In addition to the testing errors, there was a small reconciliation variance of \$57 due to an incorrect formula in the spreadsheet prepared by the district for reporting on the WDE 401. There was also an error related to the claiming of contract revenue on the WDE 401. Since the district reported the contract revenue as a local resource, claiming such revenue on the WDE 401 would then reduce funding for a second time. An adjustment to the WDE 401 in the amount of \$5,883 was, therefore performed.

There were control weaknesses in the special education expenditure population. One of the most significant weaknesses is request for reimbursement for an expenditure that was denied in prior audits. In addition, two expenditures did not have contracts, even though it was the policy by the district to maintain contracts for significant expenditures.

**OBJECTIVE:** To determine if allowable salaries and benefits are accurately reported.

**Condition/Effect:**

Allowable special education salaries and benefits were not reported accurately. We reviewed timesheets, contracts, time and effort logs, paychecks, employee files, and pay grades. A random sample of seven special education employees was selected from the total population of 81 employees. Three special education employees were also tested at 100%. There were three time calculation errors in the special education sample, in the amount of (\$113), which was projected to the entire population. In addition, all three of the special education employees tested at 100% required changes to the WDE 401. One employee had additional salary and benefit information entered, which was inaccurately reported, another employee did not have any salary information entered and the final employee was a time and effort employee who did not have any documentation to verify his time worked in the special education area. The total 100% testing error was \$6,726. A random sample of paychecks

from 18 special education substitute teachers/aides was also selected from the total population of 205. In addition, paychecks from six special education employees were tested at 100%. Three of the 18 sampled paychecks included errors, of which two were hour calculation errors and one resulted from an employee who was claimed, but did not actually work in a special education capacity. These errors resulted in a (10%) error rate and a total error of (\$3,120). In addition, all of the six special education substitutes tested at 100% required adjustments to the amounts reported on the WDE 401. Two of the six substitutes did not have supporting documentation to verify they subbed for a special education employee. The remaining four substitutes had variances between the payroll reports and WDE 401, of which all verified time matched the payroll reports. The resulting change was \$386. Further, the district did not accurately remove the non-reimbursable retirement in the amount of (\$30,180), therefore reporting too much payroll on the WDE 401.

**According to WDE Rules for completing the form WDE 109...** “Include eligible wages for Special Education and Transportation personnel on this form. Do NOT claim the 0.625% on the employee side or the 0.50% on the employer side for reimbursement on the WDE 103 or WDE 401.”

There were also control weaknesses identified in the special education payroll population. Firstly, as mentioned with the transportation payroll, the same person has the ability to add/delete employees and cut payroll checks. Although an authorization form is required to add/ delete employees, the logs within the payroll system are not reviewed on a consistent basis. Without the constant review of the logs, there is potential for someone to circumvent the authorization form and add/delete an employee and cut a payroll check to said employee who was not authorized. There also appears to be a lack of review, as several calculation errors existed in the population, there were several reconciliation variances and a lack of supporting documentation to verify an employee worked in a special education capacity. Also, a lack of sufficient knowledge of reimbursements from the state and their effect on reporting on the WDE 401 may have resulted in the district not ensuring adjustments were made for direct reimbursements from the state for the reimbursable retirement. Finally, also similar to transportation payroll, there appears to be a lack of written procedural information on how to perform payroll tasks from the prior business manager, as there were significant errors in reporting compared to the prior audit.

**Recommendations for Special Education:**

It is recommended the district review all contracts claimed for reimbursement to determine if they are special education specific or are applied to the general population. Only those expenditures which directly relate to special education only, can be claimed for reimbursement. All significant expenditures should also have a contract as per the district policy. In addition, the district should review information entered onto the WDE 401 to ensure it matches the general ledger and ensure any contract revenue claimed, was not also claimed as a local resource.

It is also recommended the district ensure all supporting documentation is maintained to verify an employee worked in a special education capacity for the time claimed. This supporting documentation should include the names of the employees subbed for (if subbing), signatures on the timecards from the special education department or something

showing the employee worked within a special education capacity. In addition, the district should consider adding an additional review process to ensure all time reported is accurate with no calculation errors and the WDE 401 reconcile to the payroll reports. The district should also consider an additional review of the WDE 401 to ensure all non-reimbursable and state directly funded payments are removed from the WDE 401 prior to submission. Further, consideration should be placed on having someone separate from the adding/deleting employee process, review all additions and deletions before and after each payroll run. This could help ensure all additions and deletions were properly authorized. Finally, procedures should be written down in sufficient detail so payroll processes could be easily duplicated.

## **CHAPTER 4**

### **AT-RISK**

Criteria: W.S. 21-13-309(v)(A), WDE Chapter 8 rules

**OBJECTIVE:** To determine the count of students qualifying for at-risk funding is accurate.

#### **Condition/Effect:**

The count of students qualifying for at-risk funding was accurately reported within reason. The at-risk program is funded in two ways: a count of unduplicated at-risk students (free/reduced, ELL and mobile) and a count of all ELL students. To determine the unduplicated count, mobile students were determined by checking the enrollment dates from PowerSchool. A 100% review of 26 students reported to WDE was performed to determine if they qualified as ELL or ELL monitoring. We reviewed the W-APT screeners and ACCESS for ELLs test, as well as verified enrollment in PowerSchool. One of the 26 students did not qualify for ELL services, as he did not qualify for services in the year reported. In addition, we reviewed a random sample of 65 free and reduced students from a total population of 305. It was determined all applications were reported accurately. Further, there were two students who were tested at 100% and both qualified for free/reduced meals; therefore, requiring no adjustment.

There was a control weaknesses identified in the at risk population. There appears to be a weakness related to the preservation of the initial case number documentation and the acknowledgement it was reviewed for free/reduced applications. The district maintained a separate spreadsheet with all of the case numbers listed. The original source documents were not maintained, however the district was able to provide confirmation for all case numbers through WDE. If a third party was unable to produce support for the DFS case numbers, all related applications could have run the risk of being denied.

#### **Recommendation:**

It is recommended the district maintain the initial case number documentation from DFS demonstrating the student's criteria for free/reduced lunch. This was discussed with the district onsite and per discussion with district personnel, they will maintain all initial DFS records from site visit on. No recommendation is deemed necessary for the one ELL reporting error as it appears to be an isolated instance with no control weakness evident.

## **CHAPTER 5**

### **STAFF ELEMENTS**

Criteria: W.S. 21-7-104, W.S. 21-7-105, W.S. 21-13-309, WDE 602 Form Instructions

**OBJECTIVE:** To determine the information pertaining to teachers is accurate.

**Condition/Effect:**

The district did not accurately report experience for teachers. A random sample of 24 teachers from the total population of 128 was selected to review their personnel files for contracts, resumes, applications, transcripts, and PTSB certifications. There were seven errors related to reported experience, totaling 5.85 years or an error rate of 1.81%. Two of the errors were due to uncorrected prior audit adjustments and the remaining five experience adjustments were both a mix of under reporting and over reporting experience. It appears the district did not review employee file information when reporting experience as several had additional or less experience than reported and in different experience categories than reported.

There was a control weakness in the teacher population as it appears there was not a sufficient review process to ensure all prior audit variances were corrected and all reported experience matched the employee personnel files.

**OBJECTIVE:** To determine the information pertaining to central administration is accurate.

**Condition/Effect:**

The district accurately reported experience for central administrators, who were tested at 100% using the same procedures as described above for teachers.

**OBJECTIVE:** To determine the information pertaining to school administration is accurate.

**Condition/Effect:**

The district did not accurately report experience for school administrators, who were tested at 100% using the same procedures as described above for teachers. The district did not accurately report experience for one administrator by (.5) years, which was a prior audit finding. The other administrator was calculated to have two additional years of experience as a principal.

As mentioned with the teacher population, the district lacked a sufficient review process to ensure all prior audit variances were corrected and all experience in the employee's personnel files were added to the total reported experience.

**Recommendations for Staff Elements:**

It is recommended the district establish a sufficient review process which ensures all prior audit variances are corrected and all reported experience match the employee personnel files.



## CHAPTER 6 LOCAL RESOURCES

Criteria: W.S. 21-13-310

**OBJECTIVE:** To determine if local resources is reported accurately

**Condition/Effect:**

The district accurately reported local resources within reason. The majority of district general fund revenues were verified through the county treasurer. The remaining general fund revenues totaled 111 transactions, and were tested by reviewing receipts and bank statements of a random sample of 20 transactions and two transactions at 100%. There were several non-local revenues reported as local revenues in the sample, totaling (\$334). Since all errors were attributed to the miscellaneous account, a full review of all expenditures in that account was performed to determine if they were accurately coded as non-local revenues and the sample error was not projected as the error appeared to be unique to one account. The total miscoded revenues from the miscellaneous account review was (\$501). Per discussion with the district, personnel were unaware the entire account was coded as a non-local revenue. No errors were identified regarding the two expenditures reviewed at 100%. In addition, through a review of the local resource general ledger entries, it was noted the district did not report the (\$8,500) bus trade-in value as a local resource; therefore, an adjustment was necessary.

There were control weaknesses identified in the revenues population as the same person can receive the revenues and record them, indicating a lack of sufficient segregation of duties. A lack of segregation of duties is a potential for fraud and should be minimized by having each employee not perform consecutive steps. In addition, the business manager reviews the revenues on the WDE 100 and enters the information on the WDE 601. A person separate from the input process should check for accuracy.

**Recommendation:**

A review of the WDE 100 and WDE 601 should be performed to ensure all non-local revenue accounts are coded correctly. The district should also include the trade-in value of buses as a local resource to the district during future new bus leasing cycles. It is also recommended the district establish better segregation of duties, where no personnel performs consecutive steps in the revenue process. There should be a separate person physically handling the revenues, entering revenue information into the general ledger and approving the revenues. Finally, a person separate from the input process for the WDE 601 should review the report for accuracy.

## CHAPTER 7 VOCATIONAL EDUCATION

Criteria: W.S. 21-13-309(v)(D)

**OBJECTIVE:** To determine the average voc. ed. teacher and student FTE is accurate.

The district did not accurately report the average vocational education teacher FTE or the average vocational education student FTE. We used PowerSchool access via the internet to

perform a 100% test of the FTE worksheets containing the course enrollments, student enrollment dates, and teacher schedules over a two-week period. Course minutes were determined through the district provided schedules and interviews with school officials. We referred to the WDE approved vocational course listing to determine if the vocational education course was approved by WDE. It was determined the district did not report one teacher on the teacher FTE worksheet for one school and one class on the student FTE worksheet. The minutes per session were also overstated in one school by four minutes. In addition, there were several variances in student FTE reporting, which appear to be a result of incorrect snapshot date use. The overall student FTE variance was .85% and teacher FTE was 7.68%.

*According to the rules that accompany the Vocational Education Student FTE Worksheet, "Student FTE counts will be taken twice each year (October and February snapshot periods) for each high school or junior high school serving grades 9-12. For the purposes of this worksheet, the October and February snapshots shall be the first full two-weeks for the snapshot period. If school was closed for a day within the snapshot period, use the next full-two weeks for the snapshot period."*

A lack of review may have contributed to the snapshot date errors and the district misreporting one course, a teacher and minutes per session.

**Recommendation:**

The district should establish an adequate review process to ensure all courses are properly reported and included in the teacher and student course count. It should also review the reporting of student counts on the FTE worksheets prior to submission to ensure they are reported on the October and February snapshot dates.

## CHAPTER 8 GENERAL

Criteria: Best practices as determined by professional judgment in the areas of logical and physical security, and business continuity

**OBJECTIVE:** To identify potential weaknesses in school district policies and procedures concerning general IT controls.

**Condition/Effect:**

IT testing was performed by audit staff and will be reported in a separate report issued only to the district management and WDE detailing technology issues dealing with security, due to the sensitive nature of those issues. This information will not be available publically.

**List of Acronyms:**

- ACCESS for ELLs– Assessing Comprehension and Communication in English State-to-State for English Language Learners
- ADM – Average daily membership
- ELL – English language learner
- FTE – Full-time equivalent
- DFS - Department of Family Services
- PTSB – Professional Teaching Standards Board
- W-APT - World-class Instructional Design and Assessment- ACCESS Placement Test
- WDE – Wyoming Department of Education
- W.S. – Wyoming Statute



April 29, 2016

Justin Chavez  
School Finance Audit Manager  
Public Funds Division  
State of Wyoming  
122 West 25<sup>th</sup> Street  
Cheyenne, WY 82002

Dear Mr. Chavez:

This letter is in response to your department's audit of the financial data for Platte County School District #1, in school year 13-14. I have no discrepancies with the findings and conclusions, including the \$24,834.00 that the school district owes back to the State Department for miscalculations and misreporting.

The following corrective actions have been established to fix our errors:

- A) The non-reimbursable retirement amount for both Special Education and Transportation has been adjusted out of the WDE 401 and WDE 103 for school year 14-15 and future reports. This error was due in part to the transition of a new business manager completing these reports for the first time and overlooking the portion already having been reimbursed.
- B) Time calculation errors for Special Education staff has been fixed with a new electronic time sheet process. Better documentation processes have also been put in place to ensure more accuracy for Special Education substitute teachers.
- C) The misreporting of teacher experience in the past has been updated and fixed. We have new forms and processes in place that include the superintendent reviewing teacher experience when they are hired.
- D) Chapter 1 – ADM – The superintendent has reviewed W. S. 21-4-301 and is aware of the process to submit form within 2 weeks of a school closure.
- E) Chapter 2 – Transportation – The isolation payment process has been updated to ensure more accuracy. The process to determine transportation reimbursable expenditures has been updated and includes the following personnel: Transportation Director, Transportation Secretary, Business Manager, and Accounting Clerk.

Payroll processes have been changed and updated since school year 13-14. Forms now include authorization signatures to ensure proper coding, and an electronic time card



The State of Wyoming provides Hathaway Merit and Need Scholarships to Wyoming students attending the University of Wyoming and Wyoming community colleges. Every Wyoming student who meets the requirements can earn a Hathaway Scholarship. Contact your school counselor for more information.



system is now in place to help with time accuracy. The business manager authorizes all additions and deletions of staff.

- F) Chapter 3 –Special Education - Payroll processes have been changed and updated since school year 13-14. Forms now include authorization signatures to ensure proper coding, and an electronic time card system is now in place to help with time accuracy. The business manager authorizes all additions and deletions of staff.
- G) Chapter 4 – At-Risk – Initial DFS documentation will be kept on file.
- H) Chapter 5 – Staff Elements – The district will continue to review personnel folders to ensure accuracy of experience for our staff.
- I) Chapter 6 – Local Resources – The business manager and accounting clerk will review WDE 100 and WDE 601 once completed to ensure accuracy. The business manager will receive all revenues before they are processed in our system.
- J) Chapter 7 – Voc Ed – The business manager will work with the district registrar department to ensure accuracy of vocation students' FTE. A review of the snapshot date data will also occur.

Please don't hesitate to contact myself or the District Superintendent, Dennis Fischer, for more information. Thank you for your department's audit work. These issues have already been addressed and will help us become a more efficient operating district.

Sincerely,

A handwritten signature in blue ink that reads "Joel McDaniel".

Joel McDaniel  
Business Manager

# Appendix C Certified Public Accountant Cover Letter and Schedule of Findings Examples

This appendix provides three examples of certified public accountant cover letters and schedule of findings for the City of Casper; Savery-Little Snake River Water Conservancy District; and Natrona County School District #1.

City of Casper  
2018

# City of Casper, Wyoming

## **FINANCIAL AND COMPLIANCE REPORT FISCAL YEAR ENDED JUNE 30, 2018**







**PLAN. EMPOWER. ACHIEVE.**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council  
and City Manager  
City of Casper, Wyoming

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Casper, Wyoming, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Casper, Wyoming's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Central Wyoming Regional Water System Joint Powers Board nor the Economic Development Joint Powers Board; both are discretely presented component units of the City. These component units represent 94%, 88%, and 70%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Central Wyoming Regional Water System Joint Powers Board and the Economic Development Joint Powers Board is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



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Casper, WY 82601

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Casper, Wyoming, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the pension plan schedules, and the schedule of changes in total liability for the post-employment healthcare plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Casper, Wyoming's basic financial statements. The other supplementary information as listed in the table of contents and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2019, on our consideration of the City of Casper, Wyoming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Casper, Wyoming's internal control over financial reporting and compliance.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
March 4, 2019

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the Council and City Manager  
City of Casper, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Casper, Wyoming, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City of Casper, Wyoming's basic financial statements, and have issued our report thereon dated March 4, 2019. Our report includes a reference to other auditors who audited the financial statements of the Central Wyoming Regional Water System Joint Powers Board and the Economic Development Joint Powers Board, as described in our report on the City of Casper, Wyoming's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Casper, Wyoming's internal control over financial reporting (internal control) to determine our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Casper, Wyoming's internal control. Accordingly, we do not express an opinion on the effectiveness on the City of Casper, Wyoming's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entities financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Casper, Wyoming's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters we reported to the management of the City of Casper in a separate letter dated March 4, 2019.

### ***City of Casper, Wyoming's Responses to Findings***

The City of Casper, Wyoming's responses to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Casper's responses were not subjected to the auditing procedure applied in the engagement to audit the financial statements and, accordingly we express no opinion on them.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
March 4, 2019



**PLAN. EMPOWER. ACHIEVE.**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the Council and City Manager  
City of Casper, Wyoming

***Report on Compliance for Each Major Federal Program***

We have audited the City of Casper, Wyoming's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Casper, Wyoming's major federal programs for the year ended June 30, 2018. The City of Casper, Wyoming's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Casper, Wyoming's basic financial statements include the operations of the Central Wyoming Regional Water System Joint Powers Board and the Economic Development Joint Powers Board, discretely presented component units. Our audit described below, did not include the operations of the Central Wyoming Regional Water System Joint Powers Board and the Economic Development Joint Powers Board because each component unit engaged other auditors to perform its audit. The reports of those auditors referenced \$3,992,284 and \$0 of federal awards being expended by the Central Wyoming Regional Water System Joint Powers Board and the Economic Development Joint Powers Board, respectively.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Casper, Wyoming's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Casper, Wyoming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Casper, Wyoming's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Casper, Wyoming complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### ***Report on Internal Control Over Compliance***

Management of the City of Casper, Wyoming is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Casper, Wyoming's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Casper, Wyoming's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-004 that we consider to be a significant deficiency.

The City of Casper's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The City of Casper's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Porter, Muirhead, Cornia & Howard  
Certified Public Accountants

Casper, Wyoming  
March 4, 2019



## CITY OF CASPER, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

Material weaknesses identified? No

Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
20.507	<i>Federal Transit Cluster</i> Federal Transit Formula Grants	\$ 919,816
20.526	<i>Federal Transit Cluster</i> Bus and Bus Facilities Formula Program	155,827
		<u>\$ 1,075,643</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

**CITY OF CASPER, WYOMING****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year Ended June 30, 2018

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**Section II – Financial Statement Findings**

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***Material Weakness in Internal Control over Financial Reporting******2018-001 Preparation of Financial Statements******Criteria***

The Government Accountability Office requires management to be responsible for the preparation and fair presentation of the financial statements in accordance with GAAP.

***Condition***

The City does not have finance personnel capable of preparing GAAP basis financial statements.

***Cause***

In our judgement, the City's accounting personnel lack the knowledge and experience to prepare accurate GAAP basis financial statements and related footnotes. The City of Casper regularly prepares budgetary basis financial reports. However, the City's budgetary basis differs significantly from GAAP. The City's hiring criteria has not included the ability to prepare GAAP basis financial statements.

***Effect***

Since the people charged with preparing support for and reviewing the City's financial statements are not well-versed in GAAP requirements, their support and review may have limited benefit. The financial statements could include undetected errors and irregularities or omit information which is important to readers of the financial statements.

***Recommendation***

In our judgment, management and those charged with governance need to understand the importance of this communication as it relates to external GAAP basis financial statements. While accounting personnel, management, and those charged with governance have the skills to understand non-GAAP financial reports, we recommend accounting personnel attend training to improve their understanding of GAAP basis financial reporting specifically courses geared toward reporting for governmental organizations. We also recommend accounting personnel receive additional training to improve utilization of the software to produce accounting information on a GAAP basis in addition to the budgetary basis. Management may also mitigate this weakness by utilizing the services of another accounting firm to assist in compiling the financial statements.

***Identification of a Repeat Finding***

This is a repeat finding from June 30, 2017 audit, 2017-001.

***Views of Responsible Officials***

See Corrective Action Plan.

**CITY OF CASPER, WYOMING**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2018

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**Section II – Financial Statement Findings (Continued)**

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***Material Weakness in Internal Control over Financial Reporting (Continued)***

***2018-002 Material Audit Adjustments***

***Criteria***

The Government Accountability Office requires management to be responsible for the preparation and fair presentation of the financial statements in accordance with GAAP.

***Condition***

The City provides its financial information to the auditors at the start of the audit. However, material audit adjustments were still required to prevent the financial statements from being materially misstated in accordance with generally accepted accounting principles accepted in the United States (GAAP).

***Cause***

City staff had not identified all entries needed at the time of the audit. Personnel are relying primarily on the budgetary basis of accounting without full consideration of all adjustments required for GAAP reporting.

***Effect***

Significant journal entries were posted in the following areas:

- Receivables (subsequent receipts and receivables related to grants)
- Payables
- Fixed assets (construction in progress and gain/loss on sales of assets)
- Other post-employment benefits
- Investments
- Internal service fund eliminations for government-wide presentation

These journal entries were required to correct the balances for the governmental funds' financial statements and government-wide financial statements. While these entries are not part of the City's assessment of budgetary compliance, they do include significant commitments, liabilities and balances that are significant to the City's complete financial information.

***Identification of a Repeat Finding***

This is a repeat finding from June 30, 2017 audit, 2017-002.

***Recommendation***

In our judgment, management and those charged with governance need to consider procedures to ensure that complete and accurate financial information is available and evaluated in a timely manner to properly record transactions in accordance with GAAP.

***Views of Responsible Officials***

See Corrective Action Plan.

## CITY OF CASPER, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2018

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**Section II – Financial Statement Findings (Continued)**

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***Material Weakness in Internal Control over Financial Reporting (Continued)******2018-003 Journal Entries******Criteria***

Organizations develop strong internal controls to ensure financial transactions initially post correctly. Journal entries change those recorded balances. Procedures and control activities for journal entries must include documentation to support the propriety of the entry, review by personnel with appropriate knowledge and skill, and evidence of review.

***Condition***

In many items tested, it was evident that the reviewer did not fully understand why the journal entry was being posted and what the journal entry was correcting. The City records journal entries directly to net assets through the use of the budget basis accounts as well as during the reconciliation of equity while converting to the modified accrual basis. This increases the probability of an inaccurate entry not being identified in a timely manner. Several of the reconciling entries contained significant undetected errors.

***Effect***

When insufficient support is provided, the reviewer may be unable to determine the accuracy of the proposed journal entry. Additionally, lack of understanding and detailed review results in reversals and reposting of journal entries and consumes additional time and effort. Errors in the financial records may not be detected and corrected in a timely manner.

***Cause***

Personnel reviewing journal entries in some cases lacked the knowledge or expertise to review the journal entry. This led to a cursory and ineffectual review of the journal entries. Additional reversing and correcting entries were needed, making it difficult to follow the trail of the activity.

***Identification of a Repeat Finding***

This is a repeat finding from June 30, 2017 audit, 2017-003.

***Recommendation***

Journal entry preparers should attach all necessary documentation for the entry to be fully understood by the reviewer. If the journal entry does not include appropriate support, the entry should be returned to the preparer for completion. Further, reviewing personnel should have the appropriate understanding of the reason for the proposed journal entry. While some adjustments are audit preparation entries and may only be understood by Finance personnel, monthly/routine entries should be reviewed by personnel who understand and could catch errors if the journal entry was not recorded appropriately. We would recommend the City choose personnel to review journal entries giving consideration to an appropriate level of knowledge and understanding. In review of the journal entry, all pieces of the journal entry should be reviewed to prevent human error. Close attention should be paid to what type of fund the journal entry is affecting and the reviewer should have an understanding of why the journal entry is necessary prior to signing off as the reviewer.

***Views of Responsible Officials***

See Corrective Action Plan.

## CITY OF CASPER, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2018

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**Section III – Federal Award Findings and Questioned Costs**

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***Significant Deficiency in Internal Control over Compliance******2018-004 Equipment and Real Property Management******Federal Transit Formula Grants, CFDA # 20.507 (Federal Transit Cluster) Passed through Wyoming Department of Transportation to the City of Casper Metropolitan Planning Organization******Criteria***

OMB Uniform Guidance §200.313, states that equipment acquired with Federal funds and Federally-owned equipment shall be maintained accurately and shall include a description of the equipment, manufacturer's serial number, model number, other identification number, source of the equipment (including the award number), who holds title, the acquisition date and cost, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

***Condition***

During equipment testing procedures, 30 transactions were selected from the equipment object code expenditure accounts. These transactions were traced to supporting documentation and evaluated for capitalization. Through the testing, six expenditures with several components that made up one asset were identified as not being capitalized in accordance with the City of Casper's capitalization policy. As a result, the equipment listing did not include all the components of the asset purchased with federal funds.

***Cause***

This project involved individuals from Information Technology and Engineering in addition to individuals from Metropolitan Planning Organization. The grant manager did review the supporting documentation of all expenditures for the project for reimbursement purposes, however, they did not review expenditures specifically focused capitalizing the entire project and only capitalized a portion of the project. The portion involving several departments was not capitalized.

***Effect***

The City of Casper's procedures and internal controls were not followed. This led to all portions of the project pertaining to installation costs not being accurately identified and subsequently capitalized.

***Questioned Costs***

None

***Context***

Thirty transactions were selected for internal control and compliance testing. The server and switch for this asset were capitalized but the installation of fiber optic cables was not capitalized.

***Identification of a Repeat Finding***

No

**CITY OF CASPER, WYOMING****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year Ended June 30, 2018

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

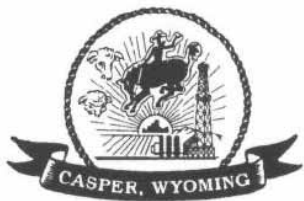
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***Significant Deficiency in Internal Control over Compliance (Continued)******2018-004 Equipment and Real Property Management (Continued)******Federal Transit Formula Grants, CFDA # 20.507 (Federal Transit Cluster) Passed through Wyoming Department of Transportation to the City of Casper Metropolitan Planning Organization (Continued)******Recommendation***

We recommend that the City of Casper continue to work toward a full integration and reconciliation between the general ledger and the equipment-tracking system. The City of Casper needs to enhance the current control procedures surrounding the asset documentation of federal assets when several departments are involved.

***Views of Responsible Officials***

See Corrective Action Plan.



OFFICE OF THE ADMINISTRATIVE  
SERVICES DIRECTOR

## CITY OF CASPER

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City of Casper, Wyoming  
Summary Schedule of Prior Audit Findings  
June 30, 2018

***Finding – 2017-001 – Preparation of Financial Statements***

***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

***Condition***

The City does not have finance personnel capable of preparing GAAP basis financial statements.

***Status***

This finding has been repeated.

***Finding – 2017-002 – Material Audit Adjustments***

***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

***Condition***

The City provides its financial information to the auditors at the start of the audit. However, material audit adjustments were still required to prevent the financial statements from being materially misstated in accordance with generally accepted accounting principles accepted in the United States (GAAP).

***Status***

This finding has been repeated.

***Finding – 2017-003 – Journal Entries***

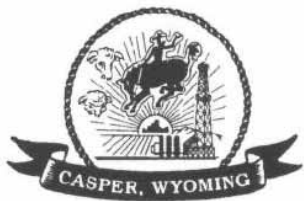
***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

***Condition***

In many items tested, journal entries posted by the City lacked appropriate supporting documentation for the reviewer to fully understand and confirm that the journal entry proposed was correct and properly prepared. It was evident in some cases that the reviewer did not fully understand why the journal entry was being posted and what the journal entry was supposed to correct. Furthermore, City personnel used a sampling approach to review journal entries which were posted for multiple purposes. The City records journal entries to net assets through the use of the budget basis accounts as well as during the reconciliation of equity while converting to the modified accrual basis. Several of the reconciling entries contained significant undetected errors.

***Status***

This finding has been repeated.



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City of Casper, Wyoming  
Summary Schedule of Prior Audit Findings  
June 30, 2018  
(Continued)

***Finding – 2017-004 – Allowable Costs***

***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

***Condition***

In the period from July 1, 2016 through October 31, 2016, an employee worked on grant related activities approximately 80% of the time. However, 100% of the associated fringe benefits were considered expenditures under the grant. The matching portion of the associated fringe benefits were also based upon 100% rather than 80%. In addition, approximately 18 hours of vacation time was charged solely to the grant rather than being allocated between the grant and the City of Casper.

***Status***

This condition has been corrected.

***Finding – 2017-005 – Cash Management***

***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

***Condition***

Reimbursement requests for High Planning and Construction grants and Community Development Block Grants were submitted for drawdown prior to the City of Casper actually paying the expenditure. There were a total of 20 reimbursements requests tested and out of 20 reimbursement requests tested, five were requested prior to one or more of the invoices being paid.

***Status***

This condition has been corrected.

***Finding – 2017-006 – Preparation, Monitoring, and Review of the Schedule of Expenditures of Federal Awards***

***Name of Contact Person – Pete Meyers, Assistant Support Services Director***

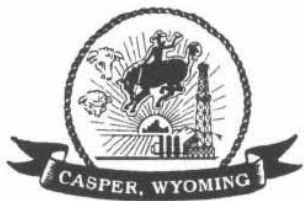
***Condition***

Evidence of review of the accuracy and completeness of the information in the schedule of expenditures of federal awards was not present.

***Status***

This condition has been corrected.





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### CORRECTIVE ACTION PLAN

#### **SECTION II – FINANCIAL STATEMENT FINDINGS**

##### ***Finding – 2018-001 – Preparation of Financial Statements***

***Name of Contact Person – Tom Pitlick, Finance Director***

##### **Corrective Action**

Two accounting position vacancies within the Finance Department have occurred subsequent to the closing of fiscal year 2018. One position has been upgraded to a supervisory role with the expectation that more direct oversight and direction will be given to accounting staff on a daily basis along with taking a lead role in audit preparation. This position has been filled as of the date of this response. The other position that of Accountant, is in the process of being filled with the goal of having a qualified candidate on board in March, 2019. Preliminary discussions with Porter, Muirhead, Cornia & Howard have taken place to offer training opportunities for these new individuals in an effort to provide guidance related to audit expectations and GAAP. In addition, other training opportunities will be evaluated and utilized as deemed beneficial.

The current software utilized by the City is outdated and limits financial reporting capabilities. Council has approved moving forward with an operating system software conversion to a product called Munis. The financial module of this product is scheduled to go live July 1, 2019. This will greatly improve our ability to not only produce financial reports but also enhance our monitoring of various financial activities.

Proposed Completion Date: June 30, 2019

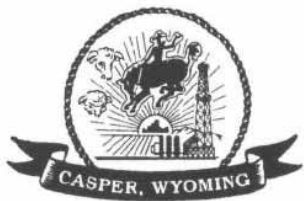
##### ***Finding – 2018-002– Material Audit Adjustments***

***Name of Contact Person – Tom Pitlick, Finance Director***

##### **Corrective Action**

Historically, the City of Casper has provided the auditors a trial balance based primarily on a budget basis. This has only been reported as a “Material Weakness” the past two years. Until recently, it has not been clearly understood what the expectations were in regard to providing entries required for GAAP reporting. With additional staff training expected to take place, as described in the correction action plan for Finding 2018-001, we feel this issue can and will be resolved. This will be further enhanced upon activation of the new operating software beginning July 1, 2019.

Proposed Completion Date: June 30, 2019



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SERVICES DIRECTOR

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### **SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

#### ***Finding – 2018-003 – Journal Entries***

***Name of Contact Person – Tom Pitlick, Finance Director***

#### **Corrective Action**

A process is already in place whereby proposed journal entries are independently prepared and reviewed by two finance staff members prior to posting. Efforts have been made to ensure adequate documentation is provided supporting the requested entry and feel there has been significant improvement in this area. Efforts will also be made to identify specific errors that have occurred in the approval process resulting in incorrect postings with follow up training provided as appropriate.

Proposed Completion Date: Implemented between fiscal year end and the date of this report.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### ***Finding – 2018-004 – Equipment and Real Property Management***

***Name of Contact Person – Tom Pitlick, Finance Director***

#### **Corrective Action**

The Metropolitan Planning Organization (MPO) will take a more proactive approach to ensure inclusion in all aspects of capital projects involving MPO assets; e.g. checking in inventory, tagging fixed assets.

The MPO has added a task to the procurement process checklist under Post-Award and Post-Delivery Activities: Assign asset tag on capital assets and fill out Fixed Asset Transaction Form.

The Procurement Process Checklist will be distributed to project participants and partners working with the MPO at the commencement of all interdepartmental projects.

Proposed Completion Date: The Procurement Process Checklist was updated at the Procurement Team Meeting on October 17, 2018 and is now in place.

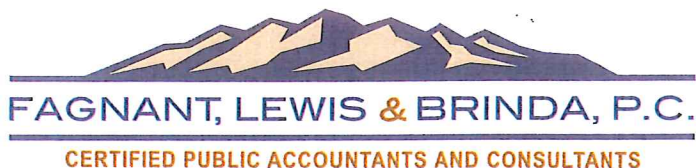
Savery-Little Snake River  
Water Conservancy District  
2017

**SAVERY-LITTLE SNAKE RIVER  
WATER CONSERVANCY DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**

RICHARD F. FAGNANT, CPA  
 MICHAEL B. LEWIS, CPA  
 DAVID BRINDA, CPA  
 SARAH L. SWEENEY, CPA  
 LORIELLE MORTON, CPA  
 TIMOTHY R. FIXTER, CPA, CFE



ERIC ANDREWS, CPA  
 BRYAN BROWN, CPA

DEAN W. McKEE, CPA  
 OF COUNSEL

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
 Savery-Little Snake River Water Conservancy District  
 Baggs, Wyoming

We have audited the accompanying cash basis financial statements of the governmental activities and the general fund of the Savery-Little Snake River Conservancy District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, and the general fund of the Savery-Little Snake River Conservancy District as of June 30, 2017, and the respective changes in modified cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Savery-Little Snake River Conservancy District's basic financial statements. Management elected not to prepare the management discussion and analysis portion of the financial statements. The budgetary comparison information on page 14, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Fagnant, Lewis & Brinda, P.C.*

Fagnant, Lewis & Brinda, P.C.  
Lander, Wyoming  
November 12, 2018



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Savery-Little Snake River Water Conservancy District  
Baggs, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Savery-Little Snake River Water Conservancy District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Savery-Little Snake River Conservancy District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Savery-Little Snake River Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Savery-Little Snake River Water Conservancy District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. Finding 2017-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Savery-Little Snake River Water Conservancy District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fagnant, Lewis & Brinda, P.C.*

Fagnant, Lewis & Brinda, P.C.  
Lander, Wyoming  
November 12, 2018



**SAVERY- LITTLE SNAKE RIVER CONSERVANCY DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017**

**2017-001 – MATERIAL WEAKNESS**

**Condition:** Approximately, 89% or \$940,684 of the total expenditures for the year ended June 30, 2017 were paid to related parties. The district was able to provide bid analysis for all the projects but could not locate the documentation showing that public notice was given to initiate the bid process.

Given the size and the amount of related party expenditures we consider this to be a material weakness in the internal controls of the district.

Additionally, the District does not have a formal related party policy which governs the related party transactions.

**Criteria and Context:** It is common in smaller communities to have related party transactions specifically with larger projects that require significant amount of equipment and or specialized knowledge and skills.

**Cause:** Documentation of the public notices was not retained and could not be located during the audit after numerous requests.

**Effect:** The District was unable to prove that public notice was provided soliciting bids for \$845,213 of related party expenditures or 90% of all related party expenditures.

**Recommendation:** The District should put a formal related party transaction policy in place that governs the overall process of related party transactions including; documentation, bid submission, involvement in design, voting, payment, and retainage.

**Savery Little Snake River Water Conservancy District  
P.O. Box 192  
Baggs, WY 82321**

**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2017**

**CORRECTIVE ACTION ITEM 2017-001**

**Individual Responsible:** Board of Directors

**Anticipated Completion Date:** None specified at this time

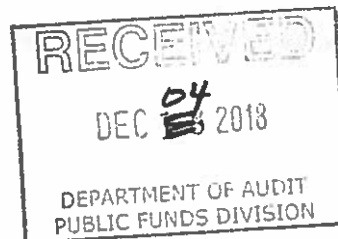
**Corrective Action:**

At the September 13, 2018 Board of Directors meeting the board reviewed the above material weakness information. The board would like to work with the auditing firm to develop policies to correct this weakness.

**SAVERY- LITTLE SNAKE RIVER CONSERVANCY DISTRICT  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**NONE**

Natrona County School District #1  
2018



Natrona County School District  
No. 1

**FINANCIAL AND COMPLIANCE REPORT  
JUNE 30, 2018**





**PLAN. EMPOWER. ACHIEVE.**

INDEPENDENT AUDITOR'S REPORT

Honorable Superintendent and Members  
of the Board of Trustees  
Natrona County School District No. 1  
Casper, Wyoming

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Natrona County School District No. 1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Natrona County School District No. 1's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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1

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***Auditor's Responsibility (Continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the aggregate discretely presented component units, general, program, capital maintenance and capital projects funds, and the aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business-type activities and cafeteria fund.

***Basis for Qualified Opinion on the Governmental Activities, Business-type Activities and Cafeteria Fund***

Information for the District's liability for other postemployment benefits (OPEB) for retiree health insurance was provided by the Wyoming Employee Group Insurance Plan (EGI). The District is responsible for a proportionate share of the EGI liability. Multiple calculations of the District's liability were provided by EGI, which were materially inconsistent. Underlying information for the EGI's liability was not provided for audit and therefore, was not audited. This resulted in the District's proportionate share of the liability being unaudited. Without recalculating the total OPEB liability at the EGI level, the effect on the liabilities, related deferred inflows and outflows and expenses of the governmental activities, business-type activities and cafeteria fund cannot be quantified or determined. Additionally, the census information used by EGI for the calculation of the liability was inconsistent with the District's records.

***Qualified Opinion on the Governmental Activities, Business-type Activities and Cafeteria Fund***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities and cafeteria fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and cafeteria fund information of Natrona County School District No. 1, as of June 30, 2018 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinion on the General, Program, Capital Maintenance and Capital Projects funds, Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund other than the cafeteria fund, and the aggregate remaining fund information, for Natrona County School District No. 1, as of June 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and other postemployment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

***Other Matters (Continued)******Required Supplementary Information (Continued)***

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Natrona County School District No. 1's basic financial statements. The budgetary comparison information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 on our consideration of Natrona County School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Natrona County School District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Natrona County School District No. 1's internal control over financial reporting and compliance.



Porter, Muirhead, Cornia &amp; Howard

Certified Public Accountants

Casper, Wyoming

November 19, 2018





**PLAN. EMPOWER. ACHIEVE.**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITOR'S REPORT

To the Honorable Superintendent and Members  
of the Board of Trustees  
Natrona County School District No. 1  
Casper, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Natrona County School District No. 1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Natrona County School District No. 1's basic financial statements, and have issued our report thereon dated November 19, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Natrona County School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Natrona County School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Natrona County School District No. 1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Casper, WY 82601

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Natrona County School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming

November 19, 2018



**PLAN. EMPOWER. ACHIEVE.**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Honorable Superintendent and Members  
of the Board of Trustees  
Natrona County School District No. 1  
Casper, Wyoming

**Report on Compliance for Each Major Federal Program**

We have audited Natrona County School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Natrona County School District No. 1's major federal programs for the year ended June 30, 2018. Natrona County School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Natrona County School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Natrona County School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Natrona County School District No. 1's compliance.



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### ***Opinion on Each Major Federal Programs***

In our opinion, Natrona County School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of Natrona County School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Natrona County School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Natrona County School District No. 1's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Natrona County School District No. 1's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Natrona County School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Porter, Muirhead, Cornia & Howard*

Porter, Muirhead, Cornia & Howard

Certified Public Accountants

Casper, Wyoming

November 19, 2018

**NATRONA COUNTY SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2018

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified for all opinion units except for Governmental Activities, Business-type Activities and Cafeteria Fund, which were qualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major federal programs:

Material weaknesses identified? Yes

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - USDA Commodities
10.559	Summer Food Service Program for Children
	Special Education Cluster (IDEA)
84.027A	Special Education - Grants to States
84.173A	Special Education - Preschool Grants
84.215	Fund for the Improvement of Education
84.367A	Supporting Effective Instruction State Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**NATRONA COUNTY SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended June 30, 2018**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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No matters reported.

## NATRONA COUNTY SCHOOL DISTRICT NO. 1

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**


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**2018-001****Material Weakness**

Direct Funding – U. S. Department of Education

Program – 84.215 - Fund for the Improvement of Education

Award ID – S215F160220

**Criteria****Matching**

The specific requirements for matching are unique to each Federal program and are found in the laws, regulations and the provision of contracts or grant agreements pertaining to the program. The grant agreement provided that the Federal grant funds could be used for up to 75% of the total cost of the project in the second year. The District was required to provide matching funds for 25% of the project costs. The District's grant budget narrative indicated that the match would be provided through in-kind donations of time and reduced ticket prices from several sources, including the Casper Mountain Snow Sports School, the Casper Mountain Biathlon Club Youth Program, the Boys and Girls Club of Central Wyoming, and District personnel.

**Condition**

The District provided documentation of student attendance to the Casper Mountain Snow Sports School and the Casper Mountain Biathlon Club Youth Program. The number of students attending each activity, the portion of the ticket price paid by the students, and the in-kind donation from reduced ticket prices was obtained and maintained. The system used by the District was capable of documenting the value of the in-kind contributions of the reduced ticket prices from these sources. The amounts from these sources were inadequate to meet the matching requirement for this grant.

The District lacked a system to document the value of the in-kind contributed services from the Boys and Girls Club of Central Wyoming. Although the District lacked a system to document the in-kind contributions, during the audit the District ultimately obtained a certification of the value of the services provided by the Boys and Girls Club of Central Wyoming, which was adequate to satisfy the matching requirement of this grant.

**Questioned Costs**

None.

**Context**

Approximately 70% of the required match was provided through in-kind donations from the Boys and Girls Club of Central Wyoming.

**Effect**

The District lacks a system to provide assurance and monitor that the matching requirements are being met from the in-kind contributions received.

## NATRONA COUNTY SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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**2018-001 (Continued)*****Identification of a Repeat Finding***

This is a repeat finding from the June 30, 2017 audit, 2017-001.

***Cause***

The grants management personnel do not have a procedure in place to obtain and maintain the documentation of the in-kind matching that was provided.

***Recommendation***

We recommend the District review the matching requirements and establish control policies and procedures that will help ensure compliance. We recommend a system be implemented to provide real-time documentation of the value of in-kind contributions. This should include third-party acknowledgement of the services provided to the District.

***Views of Responsible Officials and Planned Corrective Actions***

The District will review the matching requirements and establish control procedures accordingly. Please refer to the District's corrective action plan.





970 N. Glenn Road  
Casper, WY 82601

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### Summary of Prior Year Findings

**Finding:** 2017-001

*Status*

The District has partially corrected this. The District created a form to track students who received discounted tickets, equipment rentals, or lessons for third party sponsored activities (Casper Mountain Snow Sports, Casper Mountain Biathlon Club, etc.). The responsible teacher completes a registration form indicating the equipment and tickets purchased. Teachers verify the student names and funds obtained from the student and paid to the third party. The form is signed by the teacher and retained by the District Grants office.

The District's process was not adequate to verify services provided from the other donating organizations.

**Finding:** 2017-002

*Status*

This condition has been corrected.



NATRONA COUNTY SCHOOLS

970 N. Glenn Road  
Casper, WY 82601

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**Corrective Action Plan**

***Finding 2018-001***

***Name of Contact Person*** – Mr. Norm Cox, Director of Grants

***Corrective Action***

In order to ensure compliance with grant requirements regarding in-kind donations and matching funds, the following controls will be implemented and followed for current and future donors:

- For in-kind donations in the form of discounted tickets, equipment rentals, or lessons, the following process will be used to document receipt of the discount and number of attendees. As classes register for third party sponsored activities, the responsible teacher will fill out a registration form indicating the equipment and tickets purchased. Teachers will verify the student names and funds obtained from the student and paid to the third party. The form will be signed by the teacher and retained by the District Grants office.
- For in-kind donations in the form of services provided, the following process will be used to document the receipt of the services and the value thereof. The District will obtain a verification of services provided from the donating organization.
- A standardized form will be used to obtain certification from the donating organization of the value of the discounts or services donated.
- The Director of Grants will be responsible for obtaining certification of in-kind donations and ensuring grant compliance.

***Proposed Completion Date*** – The District will implement these actions immediately.