



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

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Ten Mile Water and Sewer District
P.O. Box 1626
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We are issuing this audit report pursuant to the requirements of Wyoming Statutes 9-1-507. This statute authorizes the Department of Audit to special districts. The district submits census reports providing financial information to the Department of Audit each fiscal year in accordance with Wyoming Statute 9-1-507 (a) (vii).

Objective. The objective of our audit was to determine the Ten Mile Water and Sewer District was in compliance with Wyoming State Statutes, and to verify the accuracy of the census report.

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

The scope of the audit was from July 1, 2006 to June 30, 2008, including the census reports for the two most recent completed fiscal years. We interviewed the Board President, James Mineheine, and the Board Treasurer, Ray Williams, from the Ten Mile Water and Sewer District. We performed the following tests during the performance of the audit.

- Compared the census report revenues to distributions reported by the State of Wyoming and County Treasurer.
- Traced selected other revenues reported in the census report from receipting to deposit in the bank.
- Traced selected expenditures reported in the census report to supporting documentation and approval by the board.
- Performed bank reconciliation and verification.
- Reviewed utilities for accuracy in billing and collecting and self supporting status.
- Reviewed the internal controls and computer controls.

Internal Controls

The purpose of the internal control process is to provide reasonable assurance regarding the achievement of management's objectives. We reviewed internal controls to determine the effectiveness in each of the following three categories:

- To understand the extent to which the operational objectives are being achieved.
- Annual reports are being prepared reliably.
- Applicable laws and regulations are being complied with.

We have concluded that the internal controls for the Ten Mile Water and Sewer District need improvement. The annual reports submitted to the Department of Audit are not timely or accurate, and there are various Wyoming State Statute violations as noted in the summary of findings.

Based on the procedures identified above, we identified seven (7) violations of the Constitution or State Statute. These violations and additional six (6) findings are presented in the accompanying summary of findings and recommendations.

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

Public Funds

Public Funds

cc: Governor's Planning Office
County Clerk

FINDINGS AND RECOMMENDATIONS

The following details the findings and recommendations identified during the audit.

Finding 1: APPARENT VIOLATION OF LAW. Wyoming Constitution Article 16, Section 7 state, in part, that "...no bills, claims, accounts or demands against the state, or any county or political subdivision, shall be audited, allowed or paid until a full itemized statement in writing, certified under penalty of perjury..."

The expenses audited do not contain a perjury statement as required.

Recommendation: The district should not approve payments without adequate supporting documentation and proper certification. Expenses should also contain business related and itemized receipts and detail the amount approved by the board.

Finding 2: APPARENT VIOLATION OF LAW. W.S. 16-4-109 states, in part, that:

"(a) A summary of the proposed budget shall be entered into the minutes and the governing body shall publish the summary at least one (1) week before the hearing date in a newspaper having general circulation in which the municipality is located, if there is one, otherwise by posting the notice in three (3) conspicuous places within the municipality."

"(b) Hearings for ... for all other special purpose districts having the power to levy or require the levy of taxes within five (5) days of the third Thursday in July... Copies of publications of hearings shall be furnished to the director of the state department of audit..."

A budget summary is not entered into the board minutes, and there is no evidence that the budget hearings are being held in accordance with the statute's guidelines. The Department of Audit has not received copies of the budget hearing notice as required.

Recommendation: Ten Mile Water and Sewer District should follow statutory requirements regarding budget issues.

Finding 3: APPARENT VIOLATION OF LAW. W.S. 41-10-110 (f) states, in part, that: " Each member of the board shall receive as compensation for his service a sum fixed by the board not in excess of twenty-five dollars (\$25.00) for actual attendance at each regular or special meeting of the board or attendance upon any committee meeting, payable monthly..."

The board members for Ten Mile Water and Sewer District are volunteers and do not receive compensation for attending meetings.

Recommendation: Members of the board should receive compensation for their services.

Finding 4: APPARENT VIOLATION OF LAW. **W.S. 9-4-831 (h)** states, in part, that: "Every political subdivision shall have on file a "Statement of Investment Policy..."

The district does not have an investment policy on file.

Recommendation: The district needs to approve and place in its files an investment policy. This policy should be completed before any person effects any investment transaction on behalf of the district.

Finding 5: APPARENT VIOLATION OF LAW. **Wyoming Constitution Article 16, Section 6** states, in part, "Neither the state nor...any other political subdivision shall loan or give its credit..."

Ten Mile Water and Sewer District carries an account receivable of over \$900. No late charges are being assessed and no security deposits are being taken as stipulated in by-laws.

Recommendation: The district should follow its approved by-laws or change them to allow for the items not being followed.

Finding 6: APPARENT VIOLATION OF LAW. **W.S. 41-10-113 (a)(xi)** states, in part, "...Any improvement or improvements of any nature made in any district where the entire cost, value or amount of such work including labor and materials shall exceed seven thousand five hundred dollars (\$7,500.00), except such work done by employees of the district with supplies and materials purchased by it as hereinafter provided or except by labor or supplies and materials, ...shall be done only under independent contract to be entered into by the district with the lowest responsible bidder submitting the lowest and best bid upon proper terms after due public notice by publication has been given asking for competitive bids..."

Ten Mile Water and Sewer District is not putting independent contract work out for competitive bid.

Recommendation: The district should follow bidding requirements for improvements as required.

Finding 7: APPARENT VIOLATION OF LAW. **W.S. 41-10-110 (c)** states, in part, "... The treasurer shall file with the county clerk at the expense of the district, a corporate fidelity bond in an amount not less than five thousand dollars (\$5,000.00), conditioned on the faithful performance of the duties of his office."

The Treasurer of the District does not have a corporate fidelity bond as required by statute.

Recommendation: There was evidence of the treasurer having a surety bond however a corporate fidelity bond is also required. Copies of both bonds are to be on file with the county clerk.

Finding 8: The Budget revenues as per district's records do not match the official budgeted revenues submitted to the county.

The amount of budgeted revenues for FY 2008 as per district financial statements is over \$16,000 less than amount approved and reported to Sweetwater County.

Recommendation: The district's records need to accurately reflect the financial position with respect to revenues and budgets.

Finding 9: The 2007 budget was over expended.

Ten Mile Water and Sewer District over expended their budgeted amount by \$11,814.29.

Recommendation: The appropriations included in the annual budget constitute maximum authorizations to spend during the fiscal year, unless the governing body amends the budget. Board officials should not approve expenditures made in excess of the approved budget.

Finding 10: Monthly board minutes are not complete and accurate.

Expenses paid are not being entered into the official document, and the checking account balance reported in monthly minutes could not be verified.

Recommendation: All bills presented for approval for payment (even if payment is denied) should be entered as part of the minutes. The entry into the minutes should state the amount of the bill, the amount allowed, the purpose of the bill, and the name of the claimant. Reported balances for accounts should be accurate and verifiable.

Finding 11: Confirmation received from the District's financial institution is not consistent with the district's records.

The bank confirmation sent to the Department of Audit does not report savings or Certificate of Deposit accounts and indicates there are no account restrictions. The District's documents show one savings and two Certificates of Deposit accounts. The District does require three signatures on all checks written. It has been confirmed that the District's records are correct and Ten Mile officials have notified the bank of the reported error.

Recommendation: District officials have already begun to correct these differences with their bank. It was also recommended that a cash withdrawal restriction be placed on their accounts as well.

Finding 12: The District's files are not complete.

For over 30% of the expenses tested, we found no documentation at the time of testing/fieldwork.

Recommendation: The District has subsequently submitted verification of the missing expense documentation to the auditor's office. It is recommended that the official documents of the

District be kept complete, accurate, and in a central location. This process will allow the District to comply with the open records requirement as well as maintain control of the District's records.

Finding 13: There is no depreciation on the water utility.

We found no indication / evidence that the district maintains a depreciation fund.

Recommendation: Ten Mile Water and Sewer District should account for the depreciation of their water system. The governing board should fix the rates sufficient to pay for replacements and additions to plant and equipment of the waterworks.