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Missouri State Auditor

Southern Dallas County Fire Protection District



August 2013

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<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Southern Dallas County Fire Protection District

Accounting Controls and Procedures	The Southern Dallas County Fire Protection District (district) did not segregate the accounting duties performed by the Secretary/Treasurer, or conduct a supervisory review. The district does not follow up on outstanding checks and does not issue receipt slips for monies received. The district does not properly report wages, withhold employee payroll taxes from, or pay the employer share of taxes on compensation paid to the Secretary/Treasurer and firefighters and did not prepare and file Forms 1099-MISC with the IRS for individuals who performed mowing/spraying services and work on the district's helicopter pad.
Budgets and Financial Reports	Annual budgets approved by the Board are not adequate or in compliance with state law. The Board does not monitor budget to actual receipts and disbursements, and actual disbursements exceeded the overall budget by \$15,504. The Secretary/Treasurer does not provide the Board with sufficient monthly financial reports, so the Board cannot effectively monitor the district's financial activity and condition.
Meetings, Public Records, and Bylaws	Meeting notices/agendas do not always document that a closed meeting is planned and do not cite the specific exception as the reason for the closed meeting. The district does not document the vote of each member to go into a closed meeting in the open meeting minutes. The district has not adopted a formal policy regarding public access to district records and does not have up-to-date and comprehensive bylaws.
Bidding	The district has not adopted a formal written bidding policy and lacks sufficient bidding procedures. The district decides whether to solicit bids on a case-by-case basis and does not document its reasons for selecting a bid other than the lowest bidder.
Capital Assets	The district does not maintain current, complete, and detailed records of capital assets, including land, buildings, vehicles, equipment, and furniture.
Firefighter Training and Records	The district does not maintain adequate training records and has not developed a written comprehensive training plan to ensure its Standard Operating Guidelines are met. Audit staff reviewed the firefighter training records and found, of those who had reached employment status requiring

training, three had received the training, five had not received the required training and adequate records were not maintained for the other three firefighters.

In the areas audited, the overall performance of this entity was **Fair**.*

American Recovery and
Reinvestment Act
(Federal Stimulus)

The Southern Dallas County Fire Protection District did not receive any federal stimulus monies during the audited time period.

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Directors
Southern Dallas County Fire Protection District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Southern Dallas County Fire Protection District. We have audited certain operations of the district in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Southern Dallas County Fire Protection District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Southern Dallas County Fire Protection District

Management Advisory Report

State Auditor's Findings

1. Accounting Controls and Procedures

Accounting duties are not segregated, outstanding checks are not followed up on timely, and receipts slips are not issued. The Southern Dallas County Fire Protection District (district) also does not properly prepare and file Forms W-2 or 1099-MISC.

1.1 Segregation of duties

Accounting duties are not segregated, and there is no supervisory review of the work performed by the Secretary/Treasurer, who is responsible for all record keeping duties of the fire district. The duties include receiving and depositing monies, recording receipts and disbursements, preparing and distributing checks, receiving bank statements and preparing bank reconciliations, and preparing financial reports.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, there should be a documented independent review of district transactions.

1.2 Outstanding checks

The district does not follow up on outstanding checks. At December 31, 2012, the district had 19 checks, totaling \$240, which have been outstanding for more than a year. Several checks are over 4 years old.

Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. When a payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

1.3 Receipt slips

The district does not issue receipt slips for monies received. Although monies received are recorded in the district's computerized accounting system, the method of payment is not denoted and the system does not assign a receipt and/or transaction number. Thus, an accounting trail is lacking and the records do not provide adequate accountability for all monies received.

To properly account for all receipts and ensure monies are properly deposited, prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on each receipt slip and reconciled to the composition of receipts recorded in the accounting system and deposits.

1.4 Payroll reporting and withholdings

The district does not properly report wages, withhold employee payroll taxes from, or pay the employer share of taxes on compensation paid to the Secretary/Treasurer and firefighters.



Southern Dallas County Fire Protection District Management Advisory Report - State Auditor's Findings

Although for 2012 the district filed a Form-1099 for the Secretary/Treasurer's compensation, these payments appear to represent compensation subject to Form W-2 reporting and payroll tax withholding. The Secretary/Treasurer is appointed by the Board of Directors and uses a district computer to perform her duties. Firefighters are paid \$5 per run and were not issued Forms W-2 in 2012.

Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security purposes. Internal Revenue Service (IRS) firefighters guidelines provide that volunteers are considered employees. State and federal laws require employers to withhold payroll taxes and pay the employer's share of Social Security and Medicare on compensation paid to employees. The Internal Revenue Code requires employers to report wages on W-2 forms and withhold and remit federal income tax. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes.

1.5 Form 1099

The district did not prepare and file Forms 1099-MISC with the IRS, as required. In 2012 the district paid approximately \$1,100 and \$1,200 to individuals for mowing/spraying services and work on the district's helicopter pad, respectively, but did not prepare Forms 1099-MISC for these individuals.

Sections 6041 to 6050 of the Internal Revenue Code require non-wage payments of at least \$600 in one year for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Form 1099-MISC.

Recommendations

The Board of Directors:

- 1.1 Segregate the accounting duties to the extent possible, or at a minimum, establish procedures for a documented independent review of the record keeping functions.
- 1.2 Follow up on outstanding checks in a timely manner.
- 1.3 Ensure prenumbered receipt slip are prepared for all monies received, and reconciled to the composition of receipts recorded in the accounting system and deposits.
- 1.4 Ensure all compensation paid to the Secretary/Treasurer and firefighters are subject to payroll taxes and properly reported on W-2 forms. The district should also contact the IRS and state for guidance regarding prior years.
- 1.5 Prepare and file Forms 1099-MISC with the IRS as required.



Southern Dallas County Fire Protection District
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Directors provided the following written responses:

- 1.1 It is not possible to segregate duties. A board member will review records monthly.*
- 1.2 We will take care of the outstanding checks.*
- 1.3 We will start giving receipts as of August 2013.*
- 1.4 We are talking to the Internal Revenue Service about this now, and will take under advisement.*
- 1.5 We are collecting data to file 1099s at this time.*

2. Budgets and Financial Reports

District budgets and monthly financial reports are not adequate, and the Board does not adequately monitor the financial activities of the district.

2.1 Annual budget

The annual budgets approved by the Board are not adequate or in compliance with state law. The budgets only include anticipated disbursements. In addition, the disbursements are listed by broad categories and are not itemized as required.

Section 67.010, RSMo, requires each political subdivision of the state to prepare an annual budget which presents a complete financial plan and specific information, including, but not limited to, a budget message and comparisons of actual revenues, itemized by year, fund, and source; and expenditures, itemized by year, fund, activity, and object, for the two preceding years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. It will also assist in setting tax levies and informing the public about district operations and current finances.



Southern Dallas County Fire Protection District
Management Advisory Report - State Auditor's Findings

2.2 Budget monitoring

The Board does not monitor budget to actual receipts and disbursements. As a result, in 2012 the Board approved disbursements in excess of various budget categories and exceeded the overall budget by \$15,504, as follows:

Budget Category	Budgeted Disbursements	Actual Disbursements	Actual (Over) Under Budget
Building loan, lease, and insurance	\$ 23,500	22,490	1,010
Truck repair, maintenance, and fuel	5,000	11,760	(6,760)
Pay, dues, office expense, telephone, and utilities	6,000	12,491	(6,491)
Building repair and maintenance	4,000	15,213	(11,213)
Classes and mileage	2,500	135	2,365
Firefighter equipment, supplies, and expenses	6,000	10,415	(4,415)
Building Reserve	10,000	0	10,000
Total	\$ 57,000	72,504	(15,504)

Section 67.080, RSMo, provides that no disbursements of public monies shall be made unless authorized in the budget. Section 67.040, RSMo, allows for increases in authorized expenditures, but only after the governing body adopts a resolution setting forth the facts and reasons.

Failure to adhere to the limits imposed by budgets weakens the Board's effectiveness in controlling the district's financial condition. The district should ensure that monthly budget to actual comparisons are received and reviewed prior to approving disbursements.

2.3 Financial reports

The monthly financial reports presented to the Board are not sufficient. As a result, the Board cannot effectively monitor the district's financial activity and condition.

At monthly meetings, the Secretary/Treasurer presents a Treasurer's report, consisting of a "Bills to be Paid" report, and the check register for checks written/paid the previous month. However, the Board does not receive other financial information such as the beginning and ending fund balance, a reconciliation of bills paid the prior month to the check register, or financial reports, such as a monthly schedule of receipts and disbursements or balance sheet, from the computerized accounting system. During our review of disbursements, we found that two checks, totaling \$6,975, were paid in July 2012, but not listed on the Bills to be Paid report. In addition, although the minutes indicate the Board approves the report, the report is not signed and/or initialed by the Board President or any other Board member to show the Board's authorization.

To effectively monitor financial activities and the financial condition of the district, and make informed decisions, the Board must receive complete and accurate monthly financial reports and information.



Southern Dallas County Fire Protection District
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Directors:

- 2.1 Prepare annual budgets that contain all information required by state law.
- 2.2 Obtain and perform adequate reviews of budget to actual financial information monthly, ensure actual disbursements do not exceed budgeted amounts, and if necessary, amend the district's budget.
- 2.3 Ensure monthly financial reports are complete, accurate, and provide sufficient information to monitor financial activity and condition. In addition, the Board should consider signing/initialing the Bills to be Paid report to show its review and approval.

Auditee's Response

The Board of Directors provided the following written responses:

We can comply.

3. Meetings, Public Records, and Bylaws

The district needs to improve procedures for conducting and documenting Board meetings and providing public access to records. District bylaws are outdated.

3.1 Meeting minutes and notices/agendas

There are significant weaknesses regarding meeting minutes and notices/agendas. Instead of two separate documents, the district combines meeting notices and agendas into one document.

- Meeting notices/agendas do not always document that a closed meeting is planned. For example, closed meetings were held on July 11, 2012, and December 11, 2012; however, the related notice/agenda failed to indicate a closed meeting was planned.
- Meeting notices/agendas typically just document "personnel", instead of citing the specific exception, as the reason for the closed meeting, when applicable.
- The vote of each member for closing a meeting is not documented in the open meeting minutes.

Section 610.022, RSMo, requires that a public governmental body planning to hold a closed meeting "... shall give notice of the time, date, and place of such meeting or vote and the reason for holding it by reference to the specific exception allowed" This section also requires that before any meeting may be closed, the question of holding the closed meeting and the reason(s) for the closed meeting, including reference to a specific section of



Southern Dallas County Fire Protection District Management Advisory Report - State Auditor's Findings

the law, shall be voted on during open meeting. These reasons and the vote of each member to close the meeting should be documented in the open minutes.

3.2 Public access policy

The district has not adopted a formal policy regarding public access to district records.

A formal policy regarding public access to district records would establish guidelines for the district to make the records available to the public. This policy should identify a person to contact, provide an address to mail such request, and establish a cost schedule for providing copies of public records.

Section 610.023, RSMo, lists requirements of making records available to the public, and Section 610.026, RSMo allows the district to charge fees for providing access to and/or copies of public records and provides requirements related to fees.

3.3 Bylaws

The district does not have up-to-date and comprehensive bylaws. Upon our initial request, the district was unable to provide its bylaws. More than a month later, the district found a copy of bylaws, dated August 1988.

Section 321.220, RSMo, provides that the district has the authority to adopt and amend bylaws necessary for ". . . carrying on of the business, objects and affairs of the board and of the district" Additionally, good business practice dictates the district adopt bylaws to govern board elections, meetings, and rules for transacting district operations and financial matters. Bylaws can be used as a management tool for establishing district policies and procedures. To increase the usefulness of the bylaws, the bylaws should be updated on a regular basis and should comply with applicable laws and regulations. Bylaws should include, among other items, policies relating to budgeting, bidding, and purchasing, as noted in this report. The bylaws should be readily available to employees and the public.

Recommendations

The Board of Directors:

- 3.1 Ensure meeting notices/agendas identify when closed meetings are planned and the specific reason(s) for the closed meetings, and open meeting minutes document the vote of each member and the reason(s) for going into closed meetings.
- 3.2 Develop written policies regarding procedures to obtain access to, or copies of, public district records.
- 3.3 Maintain up-to-date and comprehensive bylaws which are readily available to employees and the public.



Southern Dallas County Fire Protection District
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Directors provided the following written responses:

3.1&

3.2 *We can comply.*

3.3 *We will have a new set of bylaws by January 1, 2014.*

4. Bidding

Bidding procedures are not sufficient and the district has not adopted a formal written bidding policy. Decisions regarding whether to solicit bids for a particular purchase are made on an item-by-item basis. In addition, the Board does not document its reason(s) for selecting a bid other than the lowest bid. For example, we noted an instance in the minutes when bids were briefly discussed regarding a roof repair project. However, the minutes did not explain why a bid other than the lowest bid was accepted and there was no other bid documentation available.

Bids were either not solicited and/or there was no bid documentation for the following significant purchases during 2012:

Expenditure	Cost
Roof repair	\$ 7,510
Insurance	7,263
Material for roof repair	3,665
Propane	2,096
Helicopter pad, rock and labor	1,195
Lawn service	1,145
Pumper repair	1,117

Formal bidding procedures provide a framework for economical management of the district resources and help ensure the district receives fair value by contracting with lowest and best bidders. Bids can be handled by telephone quotation, written quotation, or sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

Recommendation

The Board of Directors establish formal written bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.

Auditee's Response

The Board of Directors provided the following written response:

We will look into bidding prospects. But, we may not bid all items such as insurance and propane.



Southern Dallas County Fire Protection District
Management Advisory Report - State Auditor's Findings

5. Capital Assets

The district needs to improve internal controls over and records for capital assets.

The district does not maintain current, complete, and detailed records of capital assets, including land, buildings, vehicles, equipment, and furniture. Upon our request, the district prepared a listing of district vehicles and equipment as of December 2012. According to district personnel, the district previously maintained a listing of vehicles and equipment; however, the listing was on a computer which crashed and no back-up of the information was maintained. The district also does not tag or otherwise identify capital assets as property of the district, or perform an annual physical inventory of district property.

Adequate capital asset records are necessary to secure better internal control over district property and provide a basis for determining proper insurance coverage. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the district should conduct annual physical inventories and compare the results to detailed property records.

Recommendation

The Board of Directors ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.

Auditee's Response

The Board of Directors provided the following written response:

We can comply.

6. Firefighter Training and Records

Some volunteer firefighters have not received required district training.

The district's Standard Operating Guidelines (SOG) outline the training and/or certification required for firefighters. However, the district does not maintain adequate training records and has not developed a written comprehensive training plan to ensure these guidelines are met.

The SOG require firefighters to have the following training after being hired: 1) basic firefighter training within six months, 2) National Incident Management System (NIMS) training within six months, and 3) hazardous materials (Hazmat) awareness training within one year. Other positions, such as the fire chief, lieutenants, and emergency medical technicians (EMTs), need additional training and/or certification.



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Management Advisory Report - State Auditor's Findings

We reviewed the training records of the 22 firefighters who received a "run payment" during 2012. At December 31, 2012, 11 of these firefighters had been with the district for less than 6 months, and were not yet required to and had not received the basic firefighter or NIMS training. Of the remaining 11 firefighters, all of which had reached employment status requiring training, 3 had received the required training as outlined in the SOG, but 5 had not received the required training. Adequate training records were not available for the remaining 3 firefighters, and it is unclear if they received the necessary training.

A written comprehensive training plan is needed to ensure all volunteer firefighters have the necessary and required training. Proper training would ensure firefighters have the basic knowledge and skills necessary to help them function safely and effectively. At a minimum, both for the safety of the firefighters and public, firefighters need to know how to use all apparatus, identify and properly handle hazardous materials, and address other emergency situations. Adequate records of training attended by the firefighters showing, at a minimum, description of course, date, hours, and cost of training should be retained and periodically reviewed by the Board.

Recommendation

The Board of Directors adopt a written comprehensive training plan to ensure all firefighters receive the required training. The Board should ensure adequate training records are maintained and reviewed periodically to ensure compliance with district policy.

Auditee's Response

The Board of Directors provided the following written response:

Training and records are being brought up-to-date at this time.

Southern Dallas County Fire Protection District

Organization and Statistical Information

The Southern Dallas County Fire Protection District (district), was organized in 1988 pursuant to Chapter 321, RSMo. The district covers 62 square miles and has one fire station.

The elected board acts as the policy-making body for district operations. The three board members serve 6-year terms without compensation. Members of the Board at December 31, 2012, were:

John Moore, Chairman
Jay Buttran, Member
Steve Brown, Member

Brian Zebel was appointed in Fire Chief in November 2012. His compensation is established by the Board, and is \$50 per month. Previous to Mr. Zebel's appointment, members of the Board served as interim Fire Chiefs during 2012.

Carolyn Rowland has served as Secretary/Treasurer for many years. Her compensation is established by the Board, and is \$80 per month.

At December 31, 2012, the district had 11 volunteer firefighters. Firefighters are paid \$5 for each run response.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Southern Dallas County Fire Protection District did not receive any federal stimulus monies during the year ended December 31, 2012.

Financial Activity

A summary of the district's financial activity for the year ended December 31, 2012, follows:

Southern Dallas County Fire Protection District
Year Ended December 31, 2012

	General Fund
RECEIPTS	
Property taxes	\$ 59,824
Interest	167
Donations	100
Swimming pool fees	150
Miscellaneous receipts	841
Total Receipts	<u>61,082</u>
DISBURSEMENTS	
Wages	1,560
Firefighter run payments	5,180
Building lease payment	14,904
Roof repair	11,175
Firefighter supplies	8,645
Truck repair and maintenance	7,757
Insurance	7,586
Fuel	4,002
Utilities	3,261
Building repair and maintenance	1,507
Telephone	1,376
Helipad	1,195
Lawn service	1,145
Supplies	1,017
Office expense	587
Dues and subscriptions	501
Trash service	192
Mileage reimbursement	85
City of Buffalo, water purchases	48
Miscellaneous	781
Total Disbursements	<u>72,504</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(11,422)</u>
CASH, January 1, 2012	<u>48,515</u>
CASH, December 31, 2012	<u>\$ 37,093</u>