

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Western Cass Fire Protection District

Report No. 2021-037

July 2021

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Western Cass Fire Protection District

Expenditures	The district does not have a formal bidding policy and bids were not solicited during the year ended December 31, 2020, for comprehensive property, liability, and automobile insurance costing \$16,393, and the district did not publish a notice for bids for renovations to a fire station costing \$18,443 and did not maintain any documentation explaining the reason the district selected the higher of the 2 price quotes received for the renovations. The district did not have adequate policies and procedures for use of a debit card, and receipts were not retained for many of the debit card transactions. The district did not always ensure bills were paid timely.
Budgets and Financial Reports	The district's budgets for the years ended December 31, 2020, and 2021, did not include all statutorily required information. The district's financial report filed with the State Auditor's Office in June 2020 for the year ended December 31, 2019, did not include receipts, beginning cash balances, and debt service principal payments, and the district has not filed financial statements in recent years with the Cass County Clerk's office as required by state law.
Volunteer Stipends and Employment Classifications	The district could not provide a Board approved stipend pay rate schedule for volunteer firefighters, and improperly classified the Fire Chief and Secretary as non-employees rather than employees.
Board Training and Sunshine Law	Board members did not always comply with training requirements, and the district did not always comply with requirements of the Sunshine Law.
Electronic Communication Policy	The district has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.
Capital Assets	The district does not maintain current, complete, and detailed records of capital assets, including land, building, vehicles, equipment, and furniture, and the district does not tag or otherwise identify capital assets as property of the district, or perform an annual physical inventory of district property.

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

*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.

Western Cass Fire Protection District

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Expenditures.....4 2. Budgets and Financial Reports.....6 3. Volunteer Stipends and Employment Classifications7 4. Board Training and Sunshine Law8 5. Electronic Communication Policy.....10 6. Capital Assets.....10
---	--

Organization and Statistical Information	12
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NICOLE GALLOWAY, CPA

Missouri State Auditor

Board of Directors
Western Cass Fire Protection District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Western Cass Fire Protection District. We have audited certain operations of the district in fulfillment of our duties. The district engaged DSWA Certified Public Accountants P.C., to audit the district's financial statements for the years ended December 31, 2019, and 2018. To minimize duplication of effort, we reviewed the report for the year ended December 31, 2018, since the report for the year ended December 31, 2019, had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2020. The objectives of our audit were to:

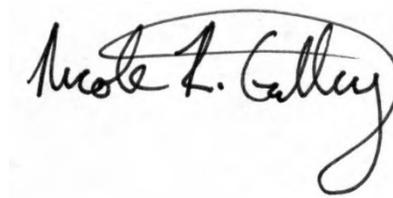
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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 applicable contract, grant agreement, 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 Western Cass Fire Protection District.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	John Lieser, CPA
In-Charge Auditor:	Joyce Thomson

Western Cass Fire Protection District

Management Advisory Report

State Auditor's Findings

1. Expenditures

Controls and procedures over district expenditures need improvement. During the year ended December 31, 2020, district expenditures from the general bank account and debit card bank account totaled \$302,785 and \$18,342, respectively.

1.1 Bidding

The district does not have a formal bidding policy and bids were not solicited during the year ended December 31, 2020, for comprehensive property, liability, and automobile insurance costing \$16,393. In addition, the district did not publish a notice for bids for renovations to one fire station costing \$18,443 and did not maintain any documentation explaining the reason the district selected the higher of the 2 price quotes received for the renovations.

Section 321.220(4), RSMo, requires the district to publish notice for bids on purchases of \$10,000 or more. In addition, competitive bidding helps ensure all parties are given an equal opportunity to participate in the district's business. Documented formal bidding procedures provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest or best bidders. Complete documentation should be maintained for all bids received and reasons noted why the bid was selected.

1.2 Debit card

The district did not have adequate policies and procedures for use of the debit card, and receipts were not retained for many of the debit card transactions. The district established a bank account with a debit card for the Fire Chief to use for various expenses, and the Board authorized transfers to the debit card bank account from the general bank account.

The district's debit card policy did not outline allowable uses, require pre-approval for transactions, or require receipts be submitted to the Board for review. In addition, for 8 of 11 debit card transactions tested totaling \$6,427, the district could not locate the vendor receipts, and documentation supporting how the purchases related to district's operations was not maintained. These transactions included payments related to building improvements (\$4,042), seminars and travel (\$1,172), technology supplies (\$780), and office equipment (\$433).

Complete and detailed written debit card policies and procedures are necessary to provide guidance. Such policies and procedures typically outline appropriate uses, require submission of debit card receipts for comparison to bank statements and retention, and require supervisor or management approval of purchases made.

1.3 Late fees

The district did not always ensure bills were paid timely. For one of 11 expenditures tested from the general account, the district paid the invoice approximately one month after it was due resulting in the district paying \$242 in late fees, representing about 1.5 percent of the invoice total (\$16,393).



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

To prevent unnecessary fees, procedures should be developed to ensure bills are paid timely.

Recommendations

The Board of Directors:

- 1.1 Establish formal bidding policies and procedures, including publication for bids, the bids or quotes received, and justification for bids selected and maintain documentation of decisions made.
- 1.2 Adopt formal policies for the appropriate use of the debit card. In addition, the Board should review and approve transactions, and ensure receipts are maintained for all debit card transactions.
- 1.3 Ensure bills are paid timely.

Auditee's Response

- 1.1 *Section 9 of our "Policy and Procedures Manual" has been updated and revised to include the policy, procedures, and specific methodology for handling the bidding process for projects that will encumber expenses of \$10,000 or more in accordance with Section 321.220(4), RSMo. This will cover not only large projects but ones that will encumber this dollar figure over a period of time. We have already exercised this policy once so far since the audit has begun. We created an RFP for an IT vendor to handle all of our email and document storage. The procedure utilized these procedures and policies to solicit bids, interview potential companies, award the contract, and evaluate services to date. Due to now having a professional IT company handle our document storage, the ability to file and retrieve these types of documents is now in place.*
- 1.2 *Once again, Section 9 of our "Policy and Procedures Manual" has been revised and updated to reflect your recommendations and more for the use of our debit card. The policy reflects what the card can and cannot be used for. Policies for pre-notification of the Board before the expense is incurred are in place. We have an extensive flowchart of how transactions involving the debit card are handled from the moment the transaction is initiated up through how the balance is paid off. The process of how all related receipts and documentation are gathered, scanned, and uploaded to our cloud storage for easier access is outlined.*
- 1.3 *Our Board Treasurer has since set up ACH payment accounts with all of our vendors that are capable of doing so as well as stipend payments to our volunteers and hired staff. Discussions with our CPA and banking officials has resulted in a better understanding of our needs and practices. The only delay anticipated would be if a bill is disputed during the review process for payment. Any vendor or*



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

contractor that is engaged for a "one time" type of service will understand that we will pay the invoice net 30 days.

2. Budgets and Financial Reports

The Board did not prepare complete budgets or financial reports.

2.1 Budgets

The district's budgets for the years ended December 31, 2020, and 2021, did not include all statutorily required information. The budgets did not include a budget summary or debt service information. In addition, the 2020 budget did not include the actual beginning and estimated ending cash balances or a comparative statement of revenues for the 2 preceding years.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the format. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of district operations. It also assists in setting tax levies and informing the public about district operations and current finances.

2.2 Financial reports

The district's financial report filed with the State Auditor's Office in June 2020 for the year ended December 31, 2019, included ending cash balances, expenditures, interest payments, and outstanding bonded indebtedness, but did not include receipts, beginning cash balances, and debt service principal payments. In addition, the district has not filed financial statements in recent years with the Cass County Clerk's office as required by state law.

Section 105.145, RSMo, requires each political subdivision to file an annual report of its financial transactions with the State Auditor's Office. In addition, 15 CSR 40-3.030, requires the reports include the beginning and ending fund balances, summaries of receipts and disbursements for the period, and the total bonded indebtedness at the beginning and end of the reporting period. Section 321.180, RSMo, requires fire protection districts to submit a financial statement for the preceding fiscal year to the county clerk by April 1st of each year.

Recommendations

The Board of Directors:

- 2.1 Prepare annual budgets that include all information required by state law.
- 2.2 File complete and accurate financial reports with the State Auditor's Office and Cass County Clerk's office.



Auditee's Response

- 2.1 *The formatting of our budgets had been set up by our previous Fire Chief. The Board and the previous Fire Chief did not realize the budgets did not adhere to Section 67.010, RSMo. We have begun working with our current Fire Chief to ensure this statute is adhered to as we move forward.*
- 2.2 *After review with our previous Treasurer, the Board was unaware of our obligation to Section 321.180, RSMo. We have now placed this activity on our "Annual Calendar of Events" that reminds us of obligations such as this one. Our current Treasurer will ensure these reports comply with the aforementioned CSR and RSMo.*

3. Volunteer Stipends and Employment Classifications

The district could not provide a Board approved stipend pay rate schedule for volunteer firefighters, and improperly classified the Fire Chief and Secretary as non-employees rather than employees.

District services are performed by a Fire Chief, Secretary, and volunteer fire fighters. Beginning in November 2020, the district executed written employment agreements with the Fire Chief and Secretary outlining duties to be performed and setting monthly compensation at \$1,000 and \$350, respectively. Volunteer firefighters received monthly stipends of varying amounts based on position if they performed at least 24 hours of station duty and attended 3 trainings during the month. The Fire Chief determined the monthly stipend amounts earned and payable to each firefighter and provided the amounts to the Board for payment. For the year ended December 31, 2020, payments to firefighters ranged from \$60 to \$1,600 and totaled approximately \$13,000.

3.1 Volunteer stipends

The Board provided a worksheet prepared in May 2020 by the former Fire Chief indicating standard stipend amounts for various firefighter position rankings, but we received no information showing the Board approved the stipends or the basis for the amounts.

Under the Fair Labor Standards Act (FLSA), volunteers may be exempt from minimum wage and overtime requirements when the employer pays the volunteers a nominal fee. The Board should consider the requirements of the FLSA and establish an approved stipend pay rate schedule to ensure all firefighters are treated fairly and equitably and stipends are calculated consistently, accurately, and are reasonable.

3.2 Employment classifications

The Board entered into employment contracts with the Fire Chief and Secretary, but did not withhold payroll and income taxes from payments made to these individuals.

Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. Internal Revenue Service (IRS)



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

Publication 15-A, Employer's Supplemental Tax Guide, provides that employers must generally withhold and pay income, social security, and Medicare taxes on payments to employees. The failure to withhold and properly report payroll and income taxes for district employees makes the district potentially subject to additional tax liabilities along with penalties and interest. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes.

Recommendations

The Board of Directors:

- 3.1 Consider the requirements of the FLSA and establish an approved stipend pay rate schedule for firefighters.
- 3.2 Ensure all employee compensation paid is subject to proper withholdings and properly reported.

Auditee's Response

- 3.1 *One of the first things we charged our new Fire Chief with was the creation of a new Volunteer Stipend Program. We are anticipating receiving this soon and will adopt it with a resolution once it has been reviewed by our legal counsel.*
- 3.2 *The previous Fire Chief assisted the Board with these matters, and neither he nor the Board were fully aware of employment classifications and reporting/withholding requirements. The Board is now actively taking measures to come into alignment with these requirements. Utilizing IRS Publication 15-A and guidance from our CPA and legal counsel, the Board will ensure classifications are set and all laws and regulations are adhered to.*

4. Board Training and Sunshine Law

Board members did not always comply with training requirements, and the district did not always comply with requirements of the Sunshine Law.

4.1 Board training

Some Board members did not promptly complete required training for fire board members. Two Board members completed training in January 2021, approximately 21 months and 54 months after beginning their service on the Board. Also, one Board member who resigned in January 2021 had not completed the required training after serving approximately 45 months on the Board.

Section 321.162, RSMo, requires all members of the board of directors of a fire protection district "attend and complete an educational seminar or conference or other suitable training on the role and duties of a board member of a fire protection district."



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

4.2 Sunshine law

The district did not always comply with requirements of the Sunshine Law. We identified the following concerns for the 25 Board meetings held from January 8, 2020, through February 17, 2021:

- A meeting agenda was not provided for the meeting held on August 12, 2020.
- Minutes were not provided for the meeting held on October 7, 2020.
- Open meeting minutes did not contain the reasons for going into a closed meeting and the vote of each member for closing a meeting was not documented for the November 19, 2020, December 16, 2020, January 13, 2021, January 20, 2021, and February 17, 2021, meetings.

Section 610.020.1, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of matters to be considered. Section 610.020.7, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Board actions and decisions. Section 610.022, RSMo, requires public bodies announce the specific reasons allowed by law for going into a closed meeting and to enter the vote and reason into the minutes.

Recommendations

The Board of Directors:

- 4.1 Ensure Board members promptly obtain the required training.
- 4.2 Ensure notices and agendas are provided to advise the public of public meetings and are retained, maintain complete and accurate minutes for all meetings, and ensure specific reasons and votes for closing a meeting are documented in the open minutes.

Auditee's Response

- 4.1 *The previous Fire Chief assisted the Board in understanding the training requirements, and he and the Board believed that if Board members chose not to receive a stipend they did not need the training. Since the previous Fire Chief resigned, the Board has learned this is not accurate. As of this date all of our Board members have received the training except our newest Director who just came on in April. He will soon be enrolled in the training. We are now aware of the 1-year time limit to receive the training regardless of stipend status. This Board has received the state training and is now aware of our responsibilities. In addition, the Board is signed up for the Federal National Incident Management System required training.*
- 4.2 *There were periods of time when the Board Secretary was unable to attend meetings and record minutes, prepare agendas, etc. At these times, Directors would make their best attempts to record minutes on*



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

legal pads which sometimes got lost. This Board has taken steps with our new Secretary to ensure this does not happen again. With our new IT Vendor and document storage protocols, requests will be able to be fulfilled easily. Agendas are made public in a physical format at each fire station as well as on web and social media platforms. This Board is aware of closed meeting policies and the requirements therein.

5. Electronic Communication Policy

The district has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

Section 109.210(5), RSMo, defines a public record as "document, book, paper, photograph, map, sound recording or other material, regardless of physical form or characteristics, made or received pursuant to law or in connection with the transaction of official business." Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website¹.

To ensure compliance with state law, the Board should develop written policies to address the use of personal email, social media and message accounts, and management and retention of electronic communications.

Recommendation

The Board of Directors develop written records management and retention policies to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division Electronic Communications Guidelines.

Auditee's Response

This Board is drafting this policy right now with input from our IT Vendor and legal counsel. It will be adopted by resolution and included in our "Policy and Procedures Manual." In addition, policies are being written addressing the procedures for maintaining and purging of required documents.

6. Capital Assets

The district does not maintain current, complete, and detailed records of capital assets, including land, building, vehicles, equipment, and furniture.

¹ Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed March 31, 2021.



Western Cass Fire Protection District
Management Advisory Report - State Auditor's Findings

The district has a list of buildings and vehicles for insurance purposes, but does not have a listing of district equipment or furniture. 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 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 District has historically been very poor in regard to tracking inventory and assets. This Board is working with the new Fire Chief to establish such things as bar code inventory and tracking systems that will allow us to have this information readily available. This will assist in maintenance, replacement and budget forecasting as well as annual inventory audits.

Western Cass Fire Protection District

Organization and Statistical Information

The Western Cass Fire Protection District was incorporated in 1983 and is organized pursuant to Chapter 321, RSMo. The district covers 16 square miles in western Cass County including the City of Cleveland and has 2 fire stations. District personnel consisted of a Fire Chief, secretary, and 8 volunteer firefighters at December 31, 2020.

The elected Board acts as the policy-making body for district operations. Board members serve 6-year terms without compensation. Members of the Board at December 31, 2020, were:

Board of Directors

Name	Title
Tom Reintjes (1)	Chairman
Terry Magelssen	Vice-Chairman
Ed Summer	Treasurer
Sue Hosterman	Director
Kerri VanMeveren	Director

(1) Tom Reintjes resigned from the Board effective January 21, 2021. This seat remained vacant as of March 2021.

Fire Chief

The Interim Fire Chief at December 31, 2020, was Norman Larkey and his monthly compensation was \$1,000. He replaced Bill Franse, who served as Fire Chief until August 2020. Effective February 1, 2021, George Poulignot was appointed as Fire Chief. The Fire Chief's compensation is established by the Board of Directors.

Financial Activity

A summary of the district's financial activity for the year ended December 31, 2020, prepared by the State Auditor's Office using district bank statements follows:



Western Cass Fire Protection District
Organization and Statistical Information

Western Cass Fire Protection District
Schedule of Receipts, Disbursements, and Changes in Cash
Year Ended December 31, 2020

	General Account	Debit Card Account	Debt Reserve Account	Certificates of Deposit	Total
RECEIPTS	\$ 365,601	38	0	356	365,995
DISBURSEMENTS	302,785	18,342	0	0	321,127
RECEIPTS OVER (UNDER) DISBURSEMENTS	62,816	(18,304)	0	356	44,868
OTHER FINANCING SOURCES (USES)					
Transfer in	5,309	18,400	27,404	0	51,113
Transfer out	40,704	500	9,909	0	51,113
Total Other Financing Sources (Uses)	(35,395)	17,900	17,495	0	0
CASH, JANUARY 1, 2020	129,046	860	110,471	42,427	282,804
CASH, DECEMBER 31, 2020	\$ 156,467	456	127,966	42,783	327,672