



**REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN GREENE COUNTY**

**From The Office Of State Auditor
Claire McCaskill**

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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2002

The annual review of audits of fire protection districts in Greene County has been completed. This review covered reports for the year ended December 31, 2000 that were required to be submitted to the State Auditor's office within six months after the year end.

State law requires Greene County fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year.

Eight of eleven districts in the county are required to have at least a biennial audit. The State Auditor's Office accepted all seven of the audit reports that were received for the year(s) ended December 31, 2000. In addition, the State Auditor also accepted the audit report of the Walnut Grove Fire Protection District for the two years ended December 31, 1999. That report, due June 30, 2000, was not received until December 2001. The three other districts submitted unaudited financial statements.

Untimely reporting has increased compared to the last two years with three of the seven audit reports received after the June 30, 2001 statutory deadline, as compared to the last two years, when only one report was delinquent in 1999 and in 1998.

This report includes information about the districts' revenues, expenditures, and balances, and summarizes comments made by the various districts' independent auditors including recommendations for improving accountability and management of finances.

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YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in Greene County

Fire protection districts in Greene County are required by Section 321.690, RSMo 2000, to be audited. We have conducted a review of these independent audits of the fire protection districts in Greene County. The objectives of this review were to:

1. Evaluate the impact of, and the districts' compliance with, statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Notify the various fire protection districts and independent auditors of any specifically identifiable reporting deficiencies that should be considered and corrected in future audit reports.
3. Summarize and evaluate the financial data presented for the various fire districts and the comments for improvements made by the independent auditors.

Our review was limited to the specific matters described above and was based on selective procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The State Auditor's office has reviewed fire protection districts' audit reports for several years and noted many improvements. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. The format of this report has been changed to include an executive summary and a scope and methodology section describing what work was performed. We solicit from the readers of this report any suggestions for changes or requests for other new information that may benefit those involved with the Greene County fire protection districts.



Claire McCaskill
State Auditor

January 4, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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EXECUTIVE SUMMARY

REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN GREENE COUNTY
EXECUTIVE SUMMARY

Section 321.690, RSMo 2000, requires all fire protection districts in Greene County with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed. Based upon financial statements filed, the Ash Grove, Bois D'Arc, and West Republic Fire Protection Districts had annual revenues of less than \$50,000, therefore they were exempted from the audit requirement.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all seven of the audit reports that were received for the year(s) ended December 31, 2000. In addition, the State Auditor also accepted the audit report of the Walnut Grove Fire Protection District for the two years ended December 31, 1999.

Some instances of non-compliance were noted during our review of the fire protection districts' audit reports. The problems noted included, failure to submit an audit report to the State Auditor's office (SAO) by the required date, failure to submit engagement letters to the SAO, failure to include some required financial information in the report, and failure to include some needed comments and recommendations in management letters.

Three of the seven audit reports were received after the June 30, 2001, statutory deadline, as noted below:

<u>Fire Protection District</u>	<u>Date Received</u>
Brookline	July 16, 2001
Fair Grove	October 4, 2001
Willard	October 24, 2001

The Walnut Grove Fire Protection District audit report was the only report that was not filed timely for the year ended December 31, 1999. This audit, which should have been completed and submitted to the State Auditor by June 30, 2000, was not received until December 2001, and is included in this review.

Untimely reporting has increased compared to the last two years, when only one report was delinquent in 1999 and in 1998. While not only required by statute, timely audits also provide information to the board and the citizens on the financial status of the district and ways to

improve the management of the district. Fire district board members should ensure that audits are completed by the statutory deadline.

We reviewed the relationship of the General Fund balance at December 31, 2000 to the year's expenditures for each of the districts receiving an audit for the year ended December 31, 2000. The financial status of the Greene County Fire Protection Districts has remained fairly consistent over the past several years. Three districts, Battlefield, Strafford, and Willard, had fund balances greater than one year's cost of operations. The Battlefield Fire Protection District steadily accumulated funds from 1996 through 1998, and then invested in a new training center and fire station in 1999. Even with Battlefield Fire Protection District's large investment in capital assets, they have accumulated a cash and investment balance at December 31, 2000 that exceeds the district's expenditures for that year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

The fire protection districts are continuing to add to their capital structure in buildings and equipment each year. In 2000, the asset balances of all districts increased by more than \$1 million. Assessed valuations for most districts continue to rise, while the tax rates have remained steady. Audit fees ranged from \$1,000 to \$5,350 per district, and compensation to directors has remained fairly consistent during 2000 and 1999.

Independent auditors made specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding expenditures, budgets, methods of financing, accounting for a related organization, accounting records and various other policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

SCOPE AND METHODOLOGY

REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN GREENE COUNTY
SCOPE AND METHODOLGY

Scope

At December 31, 2000, there were eleven fire protection districts in Greene County. Eight audits and three financial statements have been received as follows:

1. The Battlefield, Ebenezer, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 2000. Each of these districts previously obtained audits for the year ended December 31, 1999. The Brookline, Fair Grove, and Logan-Rogersville Fire Protection Districts obtained audits for the two years ended December 31, 2000.
2. The Walnut Grove Fire Protection District's audit for the two years ended December 31, 1999, should have been submitted to the State Auditor by June 30, 2000, but was not received until December 2001. The Walnut Grove Fire Protection District plans to obtain an audit for the two years ended December 31, 2001.
3. The Ash Grove, Bois D'Arc and West Republic Fire Protection Districts were not required to obtain audits. Information presented in this report was obtained from unaudited information provided by these districts.

During our review we: 1) considered Section 321.690, RSMo 2000 (Appendix A), 15 CSR 40-4 (Appendix B), and audit reports submitted to the State Auditor by the various fire districts for the year(s) ended December 31, 2000, 2) reviewed the supporting working papers of various independent auditors' reports for the year(s) ended December 31, 2000, (information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters), 3) obtained audit fees for fire districts receiving audits through inquiry of the independent auditors performing the audits, and 4) reviewed unaudited financial information provided by the Ash Grove, Bois D' Arc and West Republic Fire Protection Districts. In addition, financial data for the year ended December 31, 1999, has been presented for comparative purposes.

Methodology

We compiled the following schedules to accomplish the objectives of this report:

- Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format. The General Fund is the general operating fund of the district and is used to account for all operating resources. In analyzing this schedule, some disparity will result due to the different methods of presenting essentially the same information. Reasons for some problems in comparison are as follows. The financial statements of the Battlefield, Brookline, Ebenezer, Fair Grove, Logan-Rogersville, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with

generally accepted accounting principles. Revenues are recognized in the fiscal period in which they become available and measurable. Expenditures are recognized in the fiscal period in which the related liability is incurred. The financial statements of the Ash Grove, Bois D'Arc, Walnut Grove and West Republic Fire Protection Districts are presented on a cash basis of accounting. The ending balances represent cash balances. Revenues are recognized when received in cash and expenditures are recognized when disbursed in cash.

- Schedule 2 presents the General Fixed Asset balances of the districts at December 31, 2000, with comparative totals of general fixed assets at December, 31 1999. Presented are only the fire protection districts that obtained an audit for 1999 or 2000 and included a schedule of General Fixed Assets.
- Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies as submitted by the districts to the State Auditor's office.
- Schedule 4 is a listing of the audit fees for each fire protection district receiving an audit. This information was obtained through inquiry of the independent auditors who performed the audits.
- Schedule 5 is a listing of total compensation paid to directors by each district audited. However, the listing does not include the Fair Grove and Willard fire protection districts. This information was not included in the Willard fire protection district's audit report. During our review of the supporting working papers of the Fair Grove fire protection district's audit report, we noted that the compensation paid to directors was incorrectly reported. The remaining districts' independent audit reports included the names of the principal officeholders during the year ended December 31, 2000 and 1999, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 2000. The districts have three-member boards of directors, except for the Brookline and Willard Fire Protection Districts which have five-member boards. When more than three or five names were listed, it was due to a change in the officials serving on the board.
- Schedule 6 is a summary of the various comments contained in the independent auditor's reports on compliance and internal control and in the management letters received by the State Auditor. These comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the reports and management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Limitations

Some data presented in the schedules was compiled from information submitted by the various fire districts and their independent auditors and were not verified by us via additional audit procedures. In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES

District	Year Ended December 31,							
	1999				2000			
	Beginning Balance	Adjustment*	Revenues	Expenditures	Ending Balance	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 6,921		44,411	49,378	1,954	40,024	39,139	2,839
Battlefield	1,404,076		709,768	1,455,572	658,272	776,299	522,755	911,816
Bois D'Arc	7,118		23,556	28,649	2,025	26,121	26,953	1,193
Brookline	159,187	(18,994)	137,465	92,115	185,543	242,158	229,646	198,055
Ebenezer	74,311		94,661	85,870	83,102	151,106	142,745	91,463
Fair Grove	87,458		115,856	128,172	75,142	70,409	77,783	67,768
Logan-Rogersville	478,093		505,947	502,730	481,310	535,363	534,527	482,146
Strafford	189,359		182,023	184,310	187,072	175,321	176,004	186,389
Walnut Grove	27,739		65,443	56,214	36,968		**	
West Republic	4,692		37,879	30,751	11,820	37,817	36,970	12,667
Willard	268,658		203,429	170,310	301,777	209,082	183,907	326,952
	\$ 2,707,612	(18,994)	2,120,438	2,784,071	2,024,985	2,263,700	1,970,429	2,281,288

* Prior period adjustment made by the CPA firm.

** The Walnut Grove Fire Protection District plans to obtain an audit for the two years ended December 31, 2001.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
 SCHEDULE OF GENERAL FIXED ASSETS

District	December 31, 2000			December 31, 1999
	Land and Buildings	Furniture and Equipment	Total	Total
Battlefield	\$ 1,433,332	1,283,007	2,716,339	2,585,905
Brookline	168,220	253,951	422,171	267,586
Ebenezer	140,637	325,797	466,434	393,335
Logan-Rogersville	989,858	1,317,856	2,307,714	1,526,636
Strafford	244,107	283,218	527,325	487,738
Walnut Grove			*	206,485
Willard	317,590	684,995	1,002,585	944,296
	\$ 3,293,744	4,148,824	7,442,568	6,411,981

* The Walnut Grove Fire Protection District plans to obtain an audit for the two years ended December 31, 2001.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
 COMPARATIVE SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES
 YEARS ENDED DECEMBER 31, 2000 AND 1999

District	Assessed Valuation		Tax Levy Per \$100 of Assessed Valuation	
	2000	1999	2000	1999
Ash Grove	\$ 15,883,574	15,368,419	0.27	0.27
Battlefield	256,895,228	239,675,108	0.27	0.27
Bois D'Arc	12,794,282	12,044,227	0.20	0.20
Brookline	53,542,773	47,941,475	0.27	0.27
Ebenezer	60,623,686	58,686,887	0.15	0.15
Fair Grove	33,927,863	32,215,740	0.19	0.20
Logan-Rogersville	193,423,158	183,354,671	0.26	0.26
Strafford	63,018,451	61,755,213	0.26	0.26
Walnut Grove	23,433,438	21,789,700	0.30	0.30
West Republic	14,442,429	13,291,570	0.28	0.28
Willard	73,438,469	68,690,012	0.27	0.27

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF FEES FOR AUDIT SERVICES
DECEMBER 31,2000

<u>District</u>	<u>Audit Fees</u>	
Battlefield	4,950	*
Brookline	2,950	**
Ebenezer	1,100	*
Fair Grove	3,600	**
Logan-Rogersville	5,350	**
Strafford	2,100	*
Walnut Grove	1,000	***
Willard	3,100	*

* Audit was for the year ended December 31, 2000.

** Audit was for the two years ended December 31, 2000.

*** Audit was for the two years ended December 31, 1999.

Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
 SCHEDULE OF COMPENSATION PAID TO DIRECTORS BY DISTRICT

District	2000	1999
Battlefield	\$ 5,748	\$ 5,745
Brookline	485	131
Ebenezer	0	0
Fair Grove	*	*
Logan-Rogersville	4,700	3,290
Strafford	5,350	5,150
Walnut Grove	**	2,614
Willard	***	1,000

* The district's auditor reported no compensation was paid; however, during our review of the independent auditor's working papers, we identified amounts paid to a director.

** Walnut Grove plans to obtain an audit for the two years ended December 31, 2001.

*** The district's auditor did not include this information in the audit report for the year ended December 31, 2000.

Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR(S) ENDED DECEMBER 31, 2000

Expenditures/Purchasing

- There was not a formal written bid policy.
- A clear audit trail was not maintained to distinguish between official and personal usage of a cell phone provided to a board member in lieu of payment of board fees. The Board made payments directly to the cellular telephone company rather than reimburse documented expenses of the board member.
- Checks did not require more than one signature.
- Control was lacking over invoices and expense reimbursements.
- Purchases were not monitored to ensure sales tax was not charged.

Budgets

- In two districts the budget did not contain all of the required components as specified by Chapter 67 RSMo.
- The budget did not include revenues and compute a projected fund balance.
- Actual expenditures exceeded budgeted expenditures.
- Annual budgets were not prepared and approved by the Board.

Methods of Financing

- Two districts obtained conventional bank loans to finance capital expansion when another source of financing should have been used to comply with state law.

Accounting for Related Organization

- There was not a proper separate accounting for the activities and assets of the fire protection district and those of a related organization.

Accounting Records and Procedures

- 1099's were not issued in applicable circumstances as required by federal law.
- Interim financial statements did not report cash and certificate of deposit balances.

- Accounting duties were not adequately segregated.
- Board approval for the renewal of certificates of deposit was not documented in minutes.
- Tax receipts were not direct deposited into the district's bank account to expedite processing of funds and to maximize interest revenues.
- The contract regarding the lease of land, building, and equipment from a related organization has not been updated and followed.
- All related party transactions were not fully discussed at board meetings and accurately documented.
- A running total of maintenance and repair expenses by vehicle was not maintained.

GASB 34

- Two Districts should become familiar and consult with their auditor regarding the requirements of Government Accounting Standards Board, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments in order to assess the steps necessary to ensure successful implementation of this standard on the effective date.

APPENDICES

Missouri Revised Statutes

**Chapter 321
Fire Protection Districts
Section 321.690**

Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346, A.L. 1998 H.B. 1847)

Title 15—ELECTED OFFICIALS**Division 40—State Auditor
Chapter 4—Audits of Fire Protection
Districts in St. Louis and Greene
Counties****15 CSR 40-4.010 Requirements for Dis-
tricts**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

- (A) Period for which the financial statements are audited;
- (B) Purpose of the audit;
- (C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;
- (D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;
- (E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.020 Standards for Auditing
and Financial Reporting**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.030 Contents of Audit
Reports**

PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

- (A) A table of contents;
- (B) A report on the financial statements;
- (C) Combined financial statements and appropriate note disclosures;
- (D) Other financial information which includes, but is not limited to, the following:
 1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;
 2. Tax rates and assessed valuation;
 3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and
 4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*