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Missouri State Auditor

Goodman Area Fire Protection District

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CITIZENS SUMMARY

Findings in the audit of Goodman Area Fire Protection District

Interest, Debit Cards, and Online Transactions

Some activities involving Board President Jim Morgan and Board Member Paul Sprenkle created actual, or at the very least, the appearance of conflicts of interest. The district did not solicit bids for any of the services provided by Mr. Morgan or his company during 2014 and 2013, totaling $7,748, and Mr. Morgan did not abstain from approving the related payments. The district also purchased supplies from a local company owned by Mr. Sprenkle, who did not abstain from approving the purchases.

The district does not have a policy restricting or limiting the use of the debit cards. A $1000 cash withdrawal was made by Mr. Morgan, during his time as Vice President from the district's bank account using a district debit card. A district debit card was used to pay fees for six calls using Skype totaling $60, which Mr. Morgan indicated he believed were fraudulent; however, the charges were not disputed or a refund obtained. The district debit card assigned to Mr. Morgan was used to pay 8 vendor invoices that did not show the district as the customer. In March 2012, Mr. Morgan circumvented debit card purchase limits by splitting a purchase. District debit cards were also used to make several food purchases during trips when overnight travel was not required. Additionally, district board members, officers, and vendors used the district's debit cards in violation of district bylaws.

Mr. Morgan indicated he used the district's eBay account and debit card to make district, personal, and company online purchases. Due to the similar nature of some items purchased, determining which eBay account transactions were for the district was not always possible. This occurred because Mr. Morgan rebuilds/repairs vehicles and equipment using new and used parts for the district, personally, and for his business.

Capital Assets

The district does not maintain records of capital assets, including land, buildings, vehicles, equipment, and other personal property. The district also does not always tag or otherwise identify capital assets as district property or perform physical inventories. Numerous district assets are maintained at the personal residence of Mr. Morgan, and a district generator is maintained at the personal residence of the district's lieutenant. The district does not have specific plans for the use of many of the assets stored on Mr. Morgan's property, and it is questionable why the district is storing assets on his property when the district maintains buildings and land at three other locations within the district. The district also does not have a written agreement with him detailing issues related to the storage of assets, such as access and liability. The district failed to obtain insurance coverage on four district vehicles.

Disbursements

The board does not maintain a list of bills approved and does not document its approval of individual invoices. The board does not have adequate controls over bank accounts and checks. Some district checks were issued without the required signatures, some checks were issued to cash, and some checks were issued with the payee left blank. The district did not maintain adequate documentation of some disbursements. The district does not have a

	procedure in place to prepare and file 1099-MISC forms with the Internal Revenue Service. Officials and employees did not always follow the district's bid policy, and due to the limited number of transactions incurred by the district in excess of the required bid threshold, the district should consider revising the policy.
Accounting Controls, Procedures, and Records	Accounting duties are not segregated, and there is no supervisory review of the work performed by the board secretary/treasurer, who is responsible for all record-keeping duties of the fire district. The district does not issue receipt slips for monies received in accordance with district bylaws. The district does not maintain accurate accounting records, and financial reports presented for board review were not always accurate or consistently prepared.
Budgetary Process	District budgets did not contain all required elements. The board does not adequately monitor budget-to-actual revenues and expenditures.
Meetings and Bylaws	The board secretary/treasurer failed to document the voting and approval process of some board decisions, and meeting minutes were not always signed as required by district bylaws. The district also does not have an official copy of up-to-date bylaws, and the board has not adopted resolutions and ordinances in accordance with district bylaws.
Electronic Data Security	The district does not backup financial and other computer system data leaving the district's electronic data at risk if data could not be recovered. In addition, the district does not have antivirus software installed on the computer systems to ensure protection of district data.

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

*****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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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the Board of Directors
Goodman Area Fire Protection District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Goodman Area 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, 2013. 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.

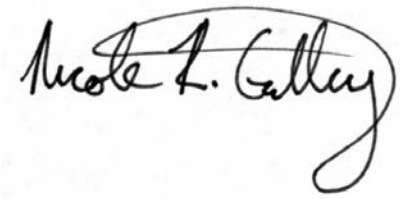
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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; testing selected transactions; inspection of capital assets; and analysis of comparative data from external and internal sources. 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 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, 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 Goodman Area Fire Protection District.



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State Auditor

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1. Conflicts of Interest, Debit Cards, and Online Transactions

Some activities involving elected Board members created actual, or at the very least, the appearance of conflicts of interest. Significant improvement is needed in the district's handling of debit cards and online transactions. We identified improper use of district debit cards and online purchases including personal and unsupported purchases.

The fire protection district's fiscal year is January 1 through December 31. The scope of our audit included, but was not necessarily limited to the period January 1, 2013, through December 31, 2013. After the identification of significant concerns regarding conflicts of interest, debit cards, online transactions, and capital assets, we also applied limited audit procedures to disbursements for the periods January 1, 2012, through December 31, 2012, and January 1, 2014, through December 31, 2014.

1.1 Conflicts of interest

Some activities involving current Board President/former Board Vice President Jim Morgan and Board Member Paul Sprenkle created actual, or at the very least, the appearance of conflicts of interest. Morgan served as Board Vice President from 2012 to April 2014. He was appointed as Board President in April 2014, and currently serves in that position. Sprenkle has served as a Board member from 2012 to present.

- The district did not solicit bids for any of the services provided by President/Vice President Morgan or his company.

  During 2013, the district paid $4,632 to Morgan's Backhoe and Excavating, a company owned by Morgan, for rock and dirt hauling, cutting a parking lot and repairing a water leak, and backhoe services. The district also issued a $400 check to him personally on December 30, 2013, (one day before the city's fiscal and reporting year ended) for labor and backhoe services related to installing a tower site heater. The invoice related to this payment listed Jim Morgan Plumbing as the vendor. Jim Morgan Plumbing is not a company registered as being owned and operated by him. Given the timing of the payments and the issuance of checks to both Morgan and his company, district officials may have been trying to circumvent state law regarding conflicts of interest.

  Two of the checks issued to Morgan's Backhoe and Excavating in 2013 exceeded $500. Also, invoices submitted by Morgan's Backhoe and Excavating were not always itemized or adequately detailed. Some invoices did not detail the number of hours worked, the rate charged, or the amount of fill dirt purchased and hauled.

  In addition, during 2014, the district did not solicit bids for a used fire truck and fire extinguisher brackets purchased from President/Vice President Morgan for $2,716.

He also did not abstain from approving payments to his company or himself or abstain when the Board specifically voted to use his company for some of these services. On October 9, 2012, and March 12, 2013, the Board specifically voted to use Morgan's Backhoe and Excavating for some work for the district; however, he did not abstain from these votes.

- The district purchased supplies from a local company owned by Board Member Sprenkle. During 2013 and 2014, the district paid $1,234 and $1,133 to this company using district debit cards without soliciting bids. In addition, detailed invoices showing the items purchased were not retained for 5 of these 15 debit card transactions totaling $898. While these transactions did not violate state law related to conflicts of interest, Board Member Sprenkle did not abstain from approving these payments.

Board members of a district serve in a fiduciary capacity. Personal interests in business matters of the district could create actual and the appearance of conflicts of interest. Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the district and elected officials that involve more than $500 per transaction or $5,000 per annum, unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received. The Board should ensure its members abstain from any decision to contract with a related party and ensure that action is fully documented in the meeting minutes. In addition, to help prevent actual or the appearance of conflicts of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented. Soliciting bids or proposals helps ensure the district receives fair value for the monies spent on services.

1.2 Debit cards

From at least 2012 to present, the district has maintained 2 debit cards, with one assigned to President/Vice President Morgan, and another kept at the district office. Another debit card was assigned to former President Marshall Long, but was canceled when he resigned from the Board in April 2014. District debit card purchases totaled $69,854 during the 3 years ended December 31, 2014. We identified several concerns with debit card use and policies.

- The district does not have a policy restricting or limiting the use of the debit cards. Two cash withdrawals were made from the district's bank account totaling $1,020 using district debit cards. A $1,000 withdrawal was made using the debit card assigned to then Vice President Morgan on September 10, 2012. President Morgan indicated the $1,000 withdrawal was made to reimburse himself for vehicle parts he purchased for the district, and an invoice dated August 27, 2012, was maintained in district records to support the reimbursement. This

transaction was not presented to the Board for approval or accurately recorded as a cash withdrawal or cash reimbursement in district records. Rather, it was recorded as a debit card payment to the vehicle parts vendor. In addition, a $20 cash withdrawal was made on October 16, 2012, using the debit card assigned to former President Long. A handwritten note indicated the $20 was withdrawn to keep the debit card active, and $13 was used for lunch and $7 was kept for petty cash. No documentation of the lunch purchase or petty cash use was maintained by the district. This cash withdrawal also was not presented to or approved by the Board.

- A district debit card was used to pay fees for 6 calls using Skype totaling $60 in April 2012. Because bank statements did not identify the debit card used, we could not determine which debit card was used to pay these fees. President Morgan indicated he believed these charges were fraudulent; however, no documentation was maintained by the district to show the charges were disputed or a refund obtained.

  The district debit card assigned to President/Vice President Morgan was used to pay 8 vendor invoices that did not show the district as the customer. The invoices showed purchases were billed or sold to entities other than the district; including the City of Goodman (6), City of Neosho (1), and Jimmie Morgan, Morgan's Excavating (1). The invoices had dates ranging from July 2012 to December 2013 and totaled $1,442. President Morgan indicated he requested the vendors to address district invoices in that manner so the district could utilize discounts available to those entities.

- In March 2012, then Vice President Morgan circumvented debit card purchase limits by splitting a purchase. An engine assembly and electric start totaling $2,144 was purchased; however, the vendor charged half this amount ($1,072) twice to the district debit card. President Morgan indicated he requested the vendor split the purchase into 2 billings, so the amount would not exceed his $1,500 debit card purchasing limit. Splitting purchases effectively eliminates the control provided by purchasing limits.

- District debit cards were used to make several food purchases during trips when overnight travel or 12-hour travel status was not required, including 16 transactions in 2014 totaling $501, 4 transactions in 2013 totaling $90, and 11 transactions in 2012 totaling $287. All of these purchases were made within about 140 miles of the City of Goodman, including purchases in Goodman, Anderson, and Joplin. The Goodman Area Fire Protection District includes 96 square miles surrounding the City of Goodman. The district does not have a formal policy regarding food purchases when overnight travel is not required. Additionally,

some invoices included notes indicating the meals were for training or a fire call, but some had no explanation of the purpose. The lack of this documentation along with no formal policy, makes evaluating the appropriateness of these expenses difficult.

- Checkout procedures have not been established for the district's debit cards. Also, use of the debit cards by Board members without adoption of a resolution and by district vendors and officers violates district bylaws. Article I, Section 9, of the district bylaws requires an adopted resolution or ordinance to authorize a Board member to incur expenses on behalf of the Board.

  Former President Long and President/Vice President Morgan used a district debit card to purchase items online and at various vendors without prior Board approval. A resolution or ordinance has not been adopted by the Board allowing Board members to incur expenses on behalf of the district.

  During 2012 and 2013, the fire district's Lieutenant made 2 purchases totaling $574 using the debit card maintained in the district office and made 2 other purchases totaling $753 using then Vice President Morgan's debit card. Additionally, the owner of an auto body shop (utilized by the district) made 2 purchases in 2013 totaling $255 using then Vice President Morgan's debit card. District bylaws do not include provisions for anyone other than the Board of Directors to incur expenses on behalf of the district.

Complete and detailed written debit card policies and procedures are necessary to provide guidance and help determine who actually needs a debit card. The Board should develop policies requiring submission of debit card receipt slips for comparison to bank statements, allowing only authorized cardholders to use the district's debit cards, and requiring independent approval of purchases made. In addition, the Board should develop an ordinance regarding food purchases and required documentation.

1.3 Online transactions

In February 2011, then Vice President Morgan established a district eBay account to purchase vehicle and equipment parts and various other items for the district. Payments for these online purchases were made either through use of his district debit card or Automated Clearing House (ACH) transactions from the district's bank account. President Morgan indicated he used the eBay account and debit card to make district, personal, and company purchases. Due to the similar nature of some items purchased, we could not always determine which eBay account transactions were for the district. This occurred because Morgan rebuilds/repairs vehicles and equipment using new and used parts for the district, personally, and for his backhoe and excavating company.

From February 2011 to February 2015, 585 items were purchased on the district's eBay account totaling $32,923. Of these 585 items, 186 items totaling $13,843 appear to be personal or personal company purchases made by President/Vice President Morgan. These items were not paid for through the district's debit card or bank account. Examples of personal items purchased on the district's eBay account include children's toys, racing seats, a bow and arrow/gun rack, a cell phone, and reading glasses.

President/Vice President Morgan used the district's debit card on 3 occasions to pay for personal purchases totaling approximately $1,200. One personal purchase was made in 2012, another in 2013, and another in 2014. He reimbursed the district for these purchases; however, by using the district's eBay account and debit card he may have avoided paying sales tax on these items.

The commingling of district and personal online transactions increases the risk of misuse or unnecessary purchases. Formal detailed online purchase policies that address required documentation and review and approval procedures, including requiring pre-approval of purchases, are necessary to provide guidance to Board members and officers.

Recommendations

The Board of Directors:

1.1 Refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law and the selection process is documented and ensure applicable Board members abstain from voting on such decisions.

1.2 Evaluate the need for each debit card and adopt formal policies and procedures for debit card use. In addition, the Board should develop a comprehensive policy regarding food purchases.

1.3 Ensure the district's eBay account and debit card are used only for district purchases, and evaluate the need for online purchases. Formal policies and procedures regarding online transactions should be adopted.

Auditee's Response

1.1 The Board of Directors of the Goodman Area Fire Protection District will adopt a conflict of interest policy within ninety (90) days of the release of this audit to ensure that the Goodman Area Fire Protection District will not enter into any business transactions with any board of director or related party, unless specifically authorized by Missouri law. The conflict of interest policy will further ensure that a board of director shall abstain from any decision to contract with a related party, and if any board of director shall have to abstain from any decision, then any action

taken by the Board of Directors shall be fully documented in the minutes of said meeting.

1.2 The Board of Directors of the Goodman Area Fire Protection District is currently considering a debit card use policy. Within ninety (90) days of the release of this audit, the Board of Directors will adopt a debit card use policy to ensure proper check out procedures for the debit cards; to ensure proper protocols are followed when purchasing items or supplies with the debit cards; to ensure that debit card receipts are properly submitted to the bookkeeper; to ensure the bank statements, debit card receipts, and debit card purchases are reconciled on a monthly basis by the assigned bookkeeper and approved by the Board of Directors on a monthly basis; and to ensure that no cash withdraws are made using a debit card. In addition, the Board of Directors will also develop a local food purchasing policy within ninety (90) days of the release of this audit.

1.3 The Board of Directors of the Goodman Area Fire Protection district is evaluating the need for online purchases. Furthermore, the Board of Directors will set up new accounts with any online vendors using a newly created email for that purpose. The Board of Directors will also develop a policy for the use of online accounts and online purchases within ninety (90) days of the release of this audit.

2. Capital Assets

The district does not maintain capital asset records, stores assets at personal residences without distinguishing personal from district assets, and has insufficient insurance coverage. The district maintains buildings and land at 3 different locations within the district. The district also maintains various equipment and vehicles, including 4 fire engines, 1 parade engine, 3 tanker trucks, 3 brush trucks, and 1 rescue vehicle.

2.1 Capital asset records

The district does not maintain records of capital assets, including land, buildings, vehicles, equipment, and other personal property. The district also does not always tag or otherwise identify capital assets as district property or perform physical inventories of district property. Some district assets were tagged as property of the Goodman Volunteer Fire Department and others as property of the Goodman Area Fire Protection District. Other district assets were tagged with a unique barcode and number; however, the district does not account for the assigned barcodes and numbers.

Adequate capital asset records and procedures are necessary to secure better internal control over district property. 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 costs, descriptions, make and model number, and asset identification numbers; the physical location of the assets; and the date and method of disposition of 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 the detailed property records.

2.2 Capital asset storage

Numerous district assets are maintained at the personal residence of President Morgan, and a district generator is maintained at the personal residence of the district's Lieutenant.

President Morgan stores district assets at various locations on his 200 acre property. He also operates a backhoe and excavating company on this property. In addition, he rebuilds/repairs personal and district vehicles and equipment using new and used parts, salvaged vehicles, and equipment stored at his property, and these district assets were not always shielded from weather and vegetation growth.

In addition, the district does not have specific plans for the use of many of the district assets maintained on his property. The district has not made efforts to identify unneeded items or taken any action to sell or salvage unneeded or unused items, as appropriate. Many property items are U.S. Department of Defense excess property items (to be used for firefighting and emergency services) and were obtained from the Missouri Department of Conservation (MDC) through the fire fighter property program at no cost. We noted many of these items have been on hand for several years. Due to the type of item and/or length of time since the district took possession, program items held at the time of our review have no restrictions on disposal. It is also important for the district to identify and account for assets to ensure those with any restrictions or guidelines regarding use, record keeping, or disposal are handled and accounted for appropriately.

Further, it is questionable why the district is storing assets on President Morgan's personal property when the district maintains buildings and land at 3 different locations within the district. One of these locations includes approximately 5 acres of land that could be utilized to store district assets. The district also does not have a written agreement with him detailing issues related to the storage of the district assets, such as access and liability.

The following pictures depict examples of district assets stored at President Morgan's property. All items shown below except for the fire truck used for parts and the fire squad rescue truck were obtained from the MDC fire fighter property program.

Airplane deicer

Fire brush truck

Generator

Fire truck used for parts

Refrigerators

Fire squad rescue truck

Engines for tanker trucks

8,000 gallon water tankers

Military pump

Generator engine

Generator

Fuel tanks

The following picture depicts an aerial photo of a portion of President Morgan's 200 acre property and some of the locations where district property is stored.

★ Location of some district property

Source of aerial photo - https://www.google.com/maps, accessed October 2014.

Storing district assets at personal residences increases the risk they could be lost or misappropriated. Clear and detailed written contracts, that address access and storage requirements and liability issues, are necessary to ensure all parties are aware of their duties and responsibilities and prevent misunderstandings. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

2.3 Insurance coverage

The district had failed to obtain insurance coverage on 4 district vehicles. The district should review insurance coverage periodically to financially protect the district from damage or loss. The insurance coverage should be compared to the capital asset records to determine the basis for the insurance coverage.

Recommendations

The Board of Directors:

2.1 Ensure capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.

2.2 Ensure capital assets are stored on district property and dispose of unneeded/used assets. Until district assets can be relocated or properly disposed, the Board should enter into a written agreement with President Morgan regarding access to and the storage of district assets.

2.3 Ensure adequate insurance coverage is obtained for district assets.

Auditee's Response

2.1 The Board of Directors of the Goodman Area Fire Protection District will complete a physical inventory of all capital assets by the end of the year 2015. During the physical inventory, the Board of Directors will ensure that all capital assets are properly identified and tagged with an inventory tag. The Board of Directors will also conduct a yearly physical inventory of all capital assets and compare inventory to the previous year's inventory to ensure that no capital assets are lost, stolen, or misplaced.

2.2 The Board of Directors of the Goodman Area Fire Protection District will ensure that all capital assets of the district are properly stored on property owned or leased by the district beginning January 1, 2016. The Board of Directors will also enter into an agreement with the Board President, Jim Morgan, regarding the storage and access of district property on Board President Morgan's property. Within ninety (90) days of the release of this audit, the Board of Directors will adopt a disposal policy to ensure that unneeded or unused capital assets are properly disposed of by the Board of Directors.

2.3 During the annual physical inventory of capital assets, insurance coverage for all capital assets will be evaluated and any desired or needed changes to insurance coverage will be taken care of upon the completion of the annual physical inventory.

3. Disbursements

Controls and procedures over district disbursements need improvement.

3.1 Approval process

The Board's disbursement approval process needs significant improvement. Meeting minutes included the only documentation of the Board's approval of district disbursements, typically containing a "motion to pay bills," a

"second," and "all approved." The district did not retain documentation of the individual disbursements approved.

The Board does not maintain a list of bills approved (including debit card transactions and ACH transactions from the bank account), and does not document its approval of individual invoices. Board members indicated at each meeting they receive a stack of invoices to be paid, checks to sign, documentation of some disbursements made since the last meeting (debit card transactions and ACH transactions), and a financial report of revenues and expenditures posted to the accounting system for the prior 2 months from the Board Secretary/Treasurer.

However, the approval of debit card transactions and ACH transactions after they are incurred violates district bylaws and the financial reports received were not accurate (as discussed in MAR finding number 4). In addition, the Board does not receive a copy of the district's bank statement for review, which could assist the Board in reviewing all debit card transactions and ACH transactions made from the bank account.

To safeguard against possible loss or misuse of funds, the Board should approve all disbursements and review supporting documentation, bank information, and canceled checks. Board approval of disbursements should be documented in a listing and by signature or initials on monthly reports.

3.2 District checks

The Board does not have adequate controls over bank accounts and checks, and we noted several concerns.

- While dual signatures are required on all district checks, 6 checks were issued and cleared the bank with only 1 signature and another check cleared the bank without any signatures. The 7 checks totaled $1,819, with 2 issued in 2012, 1 issued in 2013, and the remaining 4 issued in 2014. Signatures of 2 Board members were noted on all other checks reviewed; however, many of these checks were not signed by the Treasurer and President as required by district bylaws.

- The district issued a $150 check to cash on February 6, 2013, which was signed by former President Long and Board Member Sprenkle. The memo line of the check and district records indicated the money was to be used for travel expenses. The district did not maintain documentation of these expenses.

- The district issued 2 checks that cleared the bank with the payee being left blank totaling $1,750, and both checks were signed by then Vice President Morgan and Board Member Sprenkle. One check was issued on May 9, 2013, for $1,600 and the other check was issued on November 28, 2012, for $150. Supporting documentation indicated an injector pump and vehicle identification plates were purchased.

Article II, Section 2, of district bylaws indicate any of the Board of Directors shall sign all checks of the district and requires the Board Treasurer to sign or co-sign checks as authorized by the Board. Article IV, Section 4, of district bylaws require the Board President to sign all checks. Issuing checks to cash and leaving the payee line blank on checks increases the risk for district monies to be misappropriated.

3.3 Supporting documentation

The district did not maintain adequate documentation of some disbursements. The district did not maintain documentation of 27 disbursements reviewed totaling $21,889 (8 disbursements totaling $1,761 in 2014, 11 disbursements totaling $19,848 in 2013, and 8 disbursements totaling $280 in 2012). In addition, the district did not have adequately detailed supporting documentation for another 27 disbursements reviewed, totaling $3,724 (13 disbursements totaling $1,787 in 2013 and 14 disbursements totaling $1,937 in 2012). To ensure obligations were actually incurred and amounts paid were proper, all disbursements should be supported by paid receipts, itemized vendor invoices or other detailed documentation with payment information clearly indicated.

3.4 1099-MISC forms

The district does not have a procedure in place to prepare and file 1099-MISC forms with the Internal Revenue Service (IRS), as required. During 2012, 2013, and 2014, the district did not file any 1099-MISC forms.

Sections 6041 to 6050W 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 1099-MISC forms. To ensure compliance with IRS requirements, the district should establish procedures to ensure 1099-MISC forms are issued in all applicable instances.

3.5 Procurement

Officials and employees did not always follow the district's bid policy, and due to the limited number of transactions incurred by the district in excess of the required bid threshold, the district should consider revising the policy. Article IV, Section 1, of district bylaws indicates no construction or purchase contract for work or materials or both, involving an expense of $10,000 or more, shall be entered into, unless a notice for bids shall first be published once a week for 3 consecutive weeks in at least 1 newspaper of general circulation in the Goodman area.

The district did not advertise or obtain bids for construction services costing $16,350 in 2012, and a used truck costing $13,750 in 2013 in accordance with district bylaws. Bids were also not solicited for other significant purchases, such as a skid unit costing $9,555 and a truck costing $3,500.

In addition to complying with district bylaws, competitive bidding helps ensure all parties are given an equal opportunity to participate in district business. A more detailed and inclusive bid policy would provide a better framework for economical management of the district resources and help ensure the district receives fair value by contracting with lowest and best bidders. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

Recommendations

The Board of Directors:

3.1 Ensure complete lists of bills are prepared; the Board's approval is reflected on the lists; the approved list of bills is compared to invoices, checks written, and debit card transactions posted; and the lists are retained.

3.2 Ensure checks are signed in accordance with district bylaws, discontinue the practice of making checks out to cash, and ensure all checks include the payee.

3.3 Ensure supporting documentation is maintained for all disbursements.

3.4 Prepare and file 1099-MISC forms with the IRS as required.

3.5 Perform a competitive procurement process for all major purchases and maintain documentation of decisions made. In addition, consider revising the bylaws to ensure all major purchases have been selected through a competitive procurement process.

Auditee's Response

3.1 The Board of Directors of the Goodman Area Fire Protection District is now using Quickbooks as its accounting management program. The bookkeeper for the Board of Directors will submit a complete list of all bills for the Board of Directors at all monthly meetings. The list of bills will be approved by the Board of Directors at each monthly meeting. The bookkeeper will also prepare for the Board of Directors on a monthly basis a complete list of invoices, checks written, and debit card transactions, along with the monthly bank statement, reconciliation, and outstanding checks for its approval at each monthly meeting. The Board of Directors will examine all financial information submitted for any discrepancies.

3.2 The Board of Directors of the Goodman Area Fire Protection District will ensure that all checks are signed in accordance with the district bylaws. The Board of Directors will also discontinue

making out any checks to cash, and all checks written on behalf of the district will have a proper payee.

3.3 The Board of Directors will maintain all supporting documentation for all disbursements, including but not limited to: bid, invitation to bid, invoice, and delivery receipt.

3.4 The Board of Directors of the Goodman Area Fire Protection District will prepare and file any 1099-MISC forms required by law.

3.5 The Board of Directors of the Goodman Area Fire Protection District will adopt a procurement policy within ninety (90) days of the release of this audit.

4. Accounting Controls, Procedures, and Records

Accounting duties are not segregated, receipt slips are not issued, accounting records maintained were not accurate, and bank reconciliations performed were not documented.

4.1 Segregation of duties

Accounting duties are not segregated, and there is no supervisory review of the work performed by the Board Secretary/Treasurer, who is responsible for all record-keeping duties of the fire district. The duties include receiving and depositing monies, recording revenues and expenditures, preparing and distributing checks, receiving bank statements and reconciling the bank account, 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.

4.2 Receipt slips

The district does not issue receipt slips for monies received in accordance with district bylaws. 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. The district receives monies from property taxes, rental fees, and donations.

Article II, Section 4, of district bylaws indicates the Treasurer shall receive and give receipts for money due and payable to the district. 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.

4.3 Accounting records and bank account

The district does not maintain accurate accounting records. The monthly financial reports generated from the accounting system and presented to the Board for review are not accurate or consistently prepared. As a result, the financial reports cannot be relied upon by the Board when making decisions. We identified various errors and omissions in the records.

- Thirteen disbursements totaling $1,878 and a deposit for $472 cleared the district's bank account, but were not posted to the accounting system. Twelve of the 13 disbursements were made using district debit cards and the other disbursement was an electronic payment made using PayPal.

- Eighteen disbursements totaling $1,406 and a deposit of $122 were posted to the accounting system in error. These transactions never cleared the bank.

- The beginning balance of district funds reported on the monthly financial reports did not always agree to the ending balance of the previous month's financial reports. In addition, bank reconciliations are not formally documented by the Board Secretary/Treasurer. The Board Secretary/Treasurer indicated bank reconciliations are performed in the accounting system when the bank statement is received; however, they are not printed and maintained.

  The Board did not receive copies of bank statements or the bank reconciliations to verify the accuracy of the beginning and ending balances reported on the monthly financial reports.

- The financial reports were also not prepared consistently. For some months, financial activity was grouped together by type of transaction, such as deposits, checks issued, or debit cards; while financial activity in other months was reported in transaction date order.

Accurate and complete financial information is necessary for the Board to make informed decisions and to provide residents with reliable information about district finances. Inaccurately recorded transactions make it more difficult to detect loss or misuse of funds. Preparation and retention of monthly bank reconciliations is necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

Recommendations

The Board of Directors:

4.1 Segregate the accounting duties to the extent possible and ensure documented independent reviews of the record-keeping functions are performed.

4.2 Ensure prenumbered receipt slip are prepared for all monies received and reconciled to the composition of receipts recorded in the accounting system and deposits.

4.3 Ensure accounting records are accurately maintained and bank reconciliations are formally documented.

Auditee's Response

4.1 Accounting duties will be assigned to a bookkeeper, but the Board of Directors of the Goodman Area Fire Protection District will review and approve all financially related reports and documentation at all monthly meetings for accuracy and to ensure that there are no discrepancies. Furthermore, a record will be maintained of the Board of Director's review and approval of all financially related reports and documentation.

4.2 The Board of Directors of the Goodman Area Fire Protection District has purchased a prenumbered receipt book to receipt any money, and all receipts will be reconciled to the deposits recorded in Quickbooks and the deposits reflected on the monthly bank statements.

4.3 The Board of Directors of the Goodman Area Fire Protection District will ensure that all accounting records are maintained and that all bank reconciliations are maintained and documented.

5. Budgetary Procedures

The Board does not have adequate procedures to prepare or monitor budgets.

Preparation

District budgets prepared for the 3 years ended December 31, 2014, did not contain all required elements. The budgets presented only anticipated revenues and expenditures. The budgets did not include a budget message, and actual or budgeted amounts for the 2 preceding years. In addition, beginning available resources and estimated and actual ending available resources were not included in these budgets, but are needed to present a complete financial plan for district finances.

Section 67.010, RSMo, requires the budget to present a complete financial plan for the ensuing budget year and also sets specific guidelines for the format. A complete budget should include the beginning available resources

and a reasonable estimate of the ending available resources. 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.

Monitoring

The Board does not adequately monitor budget-to-actual revenues and expenditures. Actual expenditures exceeded budgeted amounts by $21,459 in 2014 and $4,819 in 2013. The Board Secretary/Treasurer provides the Board with monthly financial statements at each Board meeting; however, the reports do not include budget-to-actual information and the financial statements are not itemized by budgetary categories. As a result, the Board cannot easily review financial information to ensure disbursements remain within budgeted appropriations.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

Recommendations

The Board of Directors prepare annual budgets that contain all information required by state law, and ensure the budget and financial condition are adequately monitored and monthly financial statements have adequate detail.

Auditee's Response

The Board of Directors of the Goodman Area Fire Protection District will prepare an annual budget with the expected line item receipts and expenditures. The Board of Directors will also review the receipts and expenditures on a monthly basis and compare those receipts and expenditures to the yearly budget to ensure that any expenditure is within the budget. The Board of Directors will also adopt resolutions to increase any line item within the budget. Any resolution will be adopted prior to making any expenditure over the allowed line item budget.

6. Meetings and Bylaws

The district needs to improve procedures for documenting Board meetings. District bylaws are outdated, and the Board has not adopted several resolutions and ordinances in accordance with district bylaws.

6.1 Meeting minutes

The Board Secretary/Treasurer failed to document the voting and approval process of some Board decisions, and meeting minutes were not always signed as required by Article I, Section 6, of district bylaws. For example, the February 12, 2013, minutes indicated the Board approved the types and amounts of out-of-town training expenses it would pay for firefighters; however, the minutes did not document the motion, a second to the motion,

or the vote taken. We identified numerous other examples of the failure to document the voting and approval process of Board decisions.

Inadequate minutes can lead to subsequent uncertainty as to Board intentions and possible incorrect interpretation of Board actions by the general public or other outside entities. Because minutes are the official record of actions taken by the Board, care should be taken to ensure they are accurate and provide sufficient information to identify issues discussed and decisions made, and ensure outside users understand what occurred. Careful review and approval of prior meeting minutes is important to ensure sufficiency and accuracy. Article I, Section 6, of district bylaws indicate all Board Directors shall sign such minutes for special meetings, or such meeting shall be invalid and ineffective.

6.2 Bylaws

The district does not have an official copy of up-to-date bylaws. According to district minutes some changes to the bylaws were approved by the Board in May 2010; however, the district bylaws had not been updated for these changes.

In addition, the Board has not adopted resolutions and ordinances in accordance with district bylaws.

- The Board did not adopt a resolution in accordance with bylaws prior to appointing a Fire Chief in May 2014. Article II, Section 6, of district bylaws indicates the Board shall appoint a Fire Chief to office by resolution of the Board.

- The Board did not adopt a resolution in accordance with bylaws prior to retaining attorneys. Article II, Section 5, of the district bylaws indicates the Board shall retain an attorney for such a period of time, and on such basis of compensation as provided for by an adopted resolution of the Board.

- The Board did not adopt a resolution in accordance with bylaws prior to selecting a bank. The Board has used the same bank since at least 2011 without establishing a resolution or maintaining a depository agreement. Article IV, Section 3, of district bylaws indicates all funds of the district shall be deposited in such banks selected by the Board by resolution.

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 and to ensure compliance with the bylaws. 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. The bylaws should be readily available to the public.

Recommendations

The Board of Directors:

6.1 Ensure meeting minutes include sufficient information necessary to provide a complete and accurate record of significant matters discussed and actions taken. In addition, the Board should improve its approval process over meeting minutes.

6.2 Maintain up-to-date bylaws that are readily available to employees and the public, and ensure resolutions and ordinances are adopted in accordance with the bylaws.

Auditee's Response

6.1 The Board of Directors of the Goodman Area Fire Protection District will ensure that the Secretary to the Board of Directors includes sufficient information in the minutes of all meetings. The Board of Directors will also comply with Article I, Section 6 of district bylaws for special meetings.

6.2 The Board of Directors of the Goodman Area Fire Protection District will review and update the district bylaws. The Board of Directors will also ensure that resolutions and ordinances are adopted in accordance with district bylaws.

7. Electronic Data Security

The district does not backup financial and other computer system data leaving the district's electronic data at risk if data could not be recovered. In addition, the district does not have antivirus software installed on the computer systems to ensure protection of district data.

Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure it is adequate, and off-site storage would provide increased assurance district data could be recreated if necessary. Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. Maintaining adequate antivirus software is critical to system protection. Properly used antivirus software protects computer systems from most destructive viruses.

Recommendation

The Board of Directors should ensure computer data is backed up periodically and stored at an off-site location. In addition, the Board should ensure the district's computer systems are protected by installing and regularly updating antivirus software, and perform system scans to detect destructive viruses.

Auditee's Response

The Board of Directors of the Goodman Area Fire Protection District will back up the data on any computers of the district on a weekly basis to ensure that no data is lost. The Board of Directors will also consider an automated online backup system for its computers to prevent data loss. The Board of Directors will also ensure that all computers have up to date antivirus software and that regular system scans are performed.

Goodman Area Fire Protection District
Organization and Statistical Information

The Goodman Area Fire Protection District (district) was organized in 2005 pursuant to Chapter 321, RSMo. The district covers 96 square miles and has 3 fire stations.

The elected Board acts as the policy-making body for district operations. The 5 Board members serve either 4 or 6-year terms without compensation. Members of the Board at December 31, 2013, were:

Marshall Long, President (1)
Jim Morgan, Vice President (2)
Violet Mahan, Secretary/Treasurer (3)
Sherrill (Bud) Gilmore, Member (4)
Paul Sprenkle, Member

(1) Marshall Long resigned in April 2014. Tammie Hartman was appointed in 2014 to fill this vacancy. Jim Morgan was appointed as President in April 2014.

(2) Sherrill (Bud) Gilmore was appointed as Vice President in April 2014.

(3) Violet Mahan resigned in May 2015. Sherrill (Bud) Gilmore was appointed in May 2015 to fill this vacancy. Tammie Hartman was appointed as Secretary/Treasurer in May 2015.

(4) Charles Ebbinghause was elected in April 2015.

Jerry Richmond was the Fire Chief until May 13, 2014, at which time Keith Estes was appointed. The Fire Chief and all firemen positions are volunteer with no compensation. The district had approximately 15 firemen in December 2013.

Financial Activity

A summary of the district's financial activity for the years ended December 31, 2014 and 2013, follows:

General Fund		Year Ended December 31, 2014	2013
REVENUES			
Property taxes	$	89,063	80,589
Insurance proceeds		12,875	0
Grants		2,784	0
Donations		300	300
Other		673	300
Total revenues		105,695	81,189
EXPENDITURES			
Vehicle maintenance, equipment, and fuel		34,084	35,676
Building maintenance		15,419	6,085
Insurance		13,720	10,403
Vehicle purchase		0	23,444
Operations		6,114	2,325
Utilities		7,039	1,210
Training		4,491	1,676
Other		16,399	2,073
Total expenditures		97,266	82,892
REVENUES OVER (UNDER) EXPENDITURES		8,429	(1,703)
CASH, January 1		33,346	35,349
CASH, December 31	$	41,775	33,346