



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

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

**Report No. 2003-07
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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2003

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, 2001 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.

The State Auditor's Office accepted all six of the twelve districts' audit reports that were required for the year(s) ended December 31, 2001. Four other districts submitted unaudited financial statements.

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. Additionally, the Ebenezer Fire Protection District was advised to consult an attorney regarding potential compliance violations during 2002.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN GREENE COUNTY

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT		1-2
EXECUTIVE SUMMARY.....		3-5
SCOPE AND METHODOLOGY		6-9
SCHEDULES:		10-17
<u>Schedule</u>	<u>Description</u>	
1	Comparative Schedule of Revenues, Expenditures, and Balances, Two Years Ended December 31, 2001	11
2	Schedule of General Fixed Assets, December 31, 2001	12
3	Comparative Schedule of Assessed Valuations and Tax Levies Two Years Ended December 31, 2001	13
4	Schedule of Fees for Audit Services Year Ended December 31, 2001	14
5	Schedule of Compensation Paid to Directors by District Two Years Ended December 31, 2001	15
6	Summary of Management Letter Comments Issued By Auditors in Connection with Audits of the Year(s) Ended December 31, 2001	16-17
APPENDICES:		18-21
<u>Appendix</u>		
A	Section 321.690, RSMo 2000	19
B	CSR, Title 15 - Elected Officials Division 40 - State Auditor, Chapter 4 - Audits of Fire Protection Districts in St. Louis and Greene Counties.....	20-21



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 includes 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

November 7, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Donna Christian, CPA
Audit Staff: Ted Fugitt, CPA

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, Pleasant View 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 six of the audit reports that were received for the year(s) ended December 31, 2001.

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 prior to the commencement of audit fieldwork, failure to follow up on previous recommendations, and failure to include some needed comments and recommendations in management letters.

Two of the six audit reports were received after the June 30, 2002, statutory deadline, as noted below:

<u>Fire Protection District</u>	<u>Date Received</u>
Walnut Grove	October 11, 2002
Willard	July 31, 2002

Fire district board members should continue to ensure that audits are completed and submitted by the statutory deadline.

We reviewed the relationship of the General Fund balance, (cash balance for Walnut Grove) at December 31, 2001 to the year's expenditures for the districts receiving an audit for the year ended December 31, 2001. The financial status of the Greene County Fire Protection Districts has remained fairly consistent over the past several years. Four districts, Battlefield, Ebenezer, Strafford, and Willard, had fund balances greater than one year's cost of operations. 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. Assessed valuations for the districts continue to increase. Tax rates have remained steady, except for Bois D'Arc and Ebenezer, which both had voter approved increases in their levies in 2001. For Ebenezer, this levy increase contributed to its General Fund balance doubling from 2000 to 2001.

Audit fees have remained steady, ranging from \$1,000 to \$4,950 per district. The difference in audit fees paid by districts was generally consistent with the relative size of the districts in terms of their annual revenues. Compensation to directors has remained fairly consistent during 2001 and 2000, except for the Strafford Fire Protection District, whose amount nearly doubled, because compensation to the board secretary/treasurer was not included in 2000 .

Independent auditors made specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding expenditures, budgets, methods of financing, 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.

Prior to our review, we received calls from citizens with concerns relating to the various Greene County Fire Protection Districts. While not yet audited, we did contact the Ebenezer Fire Protection District regarding potential compliance violations during 2002. We have advised the district's CPA of these issues, and recommended the district consult an attorney.

SCOPE AND METHODOLOGY

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

Scope

At December 31, 2001, there were twelve fire protection districts in Greene County. This represents the addition of one district, the Pleasant View Fire Protection District, which approved a tax levy in November 2000. Audit reports and financial statements have been received as follows:

1. The Battlefield, Ebenezer, Logan-Rogersville, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 2001. The Walnut Grove Fire Protection District obtained an audit for the two years ended December 31, 2001.
2. The Brookline and Fair Grove Fire Protection Districts received audits for the two years ended December 31, 2000. These districts plan to obtain audits for the two years ended December 31, 2002. No information is presented in this report for the year ended December 31, 2001.
3. The Ash Grove, Bois D'Arc, Pleasant View 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, 2001, 2) reviewed the supporting working papers of various independent auditors' reports for the year(s) ended December 31, 2001, (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, 4) reviewed unaudited financial information provided by the Ash Grove, Bois D' Arc, Pleasant View and West Republic Fire Protection Districts, and 5) reviewed fire district records and made inquiries of district officials and independent auditors as necessary to follow up on other specific issues brought to our attention. In addition, financial data for the year ended December 31, 2000, 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 accounting principles generally accepted in the United States of America. 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, Pleasant View 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. The financial statements of the Walnut Grove Fire Protection District are presented on a modified cash basis of accounting and include the general fixed asset balance in the general operating fund of the district. Under this basis of accounting and financial statement presentation, the ending balances represent cash balances plus general fixed asset balances, net of liabilities. Revenues are recognized when received in cash, and expenditures are recognized when paid in cash.

- Schedule 2 presents the General Fixed Asset balances of the districts at December 31, 2001, with comparative totals of general fixed assets at December, 31 2000. Only two of the districts, Logan-Rogersville and Walnut Grove, record depreciation on assets. Therefore for purposes of comparability, amounts on Schedule 2 are shown at cost or estimated value. Presented are only the fire protection districts that obtained an audit for 2000 or 2001 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 and expense reimbursement paid to directors by each district audited. The districts' independent audit reports included the names of the principal officeholders during the year ended December 31, 2001 and 2000, and the compensation and expense reimbursement 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,							
	2000				2001			
	Beginning Balance	Revenues	Expenditures	Ending Balance	Adjustment*	Revenues	Expenditures	Ending Balance
Ash Grove	\$ 1,954	40,024	39,139	2,839		48,418	47,454	3,803
Battlefield	658,272	776,299	522,755	911,816	493,130	832,539	970,688	1,266,797
Bois D'Arc	2,025	26,121	26,953	1,193		28,990	28,266	1,917
Brookline	185,543	242,158	229,646	198,055		**		
Ebenezer	83,102	151,106	142,745	91,463		207,839	110,086	189,216
Fair Grove	75,142	70,409	77,783	67,768		**		
Logan-Rogersville	481,310	535,363	534,527	482,146		557,067	532,026	507,187
Pleasant View		***		0		43,457	43,487	(30)
Strafford	187,072	175,321	176,004	186,389		193,224	165,884	213,729
Walnut Grove	36,968	115,139	61,750	90,357		75,013	62,037	103,333
West Republic	11,820	37,817	36,970	12,667		47,436	52,662	7,441
Willard	301,777	209,082	183,907	326,952		267,775	238,514	356,213
	\$ 2,024,985	2,378,839	2,032,179	2,371,645	493,130	2,301,758	2,251,104	2,649,606

* Prior period adjustment made by the CPA firm.

** District plans to obtain an audit for the two years ended December 31, 2002.

*** District was new in 2001.

Schedule 2

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

District	December 31, 2001			December 31, 2000
	Land and Buildings	Furniture and Equipment	Total	Total
Battlefield	\$ 1,543,686	1,611,102	3,154,788	2,716,339
Brookline			*	422,171
Ebenezer	140,637	327,817	468,454	466,434
Logan-Rogersville	989,858	1,426,695	2,416,553	2,307,714
Strafford	253,583	498,150	751,733	527,325
Walnut Grove	170,484	87,000	257,484	**
Willard	317,590	970,508	1,288,098	1,002,585
	\$ <u>3,415,838</u>	<u>4,921,272</u>	<u>8,337,110</u>	<u>7,442,568</u>

* District plans to obtain an audit for the two years ended December 31, 2002.

** Information was not provided in the independent auditor's report.

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, 2001 AND 2000

District	Assessed Valuation		Tax Levy Per \$100 of Assessed Valuation	
			General	
	2001	2000	2001	2000
Ash Grove	\$ 19,264,697	15,883,574	0.2521	0.2700
Battlefield	299,940,846	256,895,228	0.2611	0.2700
Bois D'Arc	15,997,681	12,794,282	0.3853	0.2000
Brookline	66,062,605	53,542,773	0.2575	0.2700
Ebenezer	72,845,897	60,623,686	0.2919	0.1500
Fair Grove	40,770,748	33,927,863	0.1800	0.1900
Logan-Rogersville	223,607,618	193,423,158	0.2523	0.2600
Pleasant View	22,560,650	*	0.3000	*
Strafford	73,819,475	63,018,451	0.2498	0.2600
Walnut Grove	26,813,755	23,433,438	0.2929	0.3000
West Republic	17,123,173	14,442,429	0.2645	0.2800
Willard	88,181,588	73,438,469	0.2573	0.2700

* District was new in 2001.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY
SCHEDULE OF FEES FOR AUDIT SERVICES
DECEMBER 31,2001

<u>District</u>	<u>Audit Fees</u>	
Battlefield	4,500	*
Ebenezer	1,300	*
Logan-Rogersville	4,950	*
Strafford	2,200	*
Walnut Grove	1,000	**
Willard	3,200	*

* Audit was for the year ended December 31, 2001.

** Audit was for the two years ended December 31, 2001.

Schedule 5

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

District	2001	2000
Battlefield	\$ 5,684	\$ 5,748
Brookline	*	485
Ebenezer	0	0
Fair Grove	*	**
Logan-Rogersville ****	5,625	4,700
Strafford	10,350	5,350
Walnut Grove ****	4,655	7,267
Willard	0	***

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

** 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.

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

**** Includes expense reimbursements.

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, 2001

Expenditures/Purchasing

- The written purchasing policy was not being followed in regards to bidding or the assignment of purchase order numbers.
- 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. Also the sales tax exemption was sometimes used inappropriately for purchases that were personal in nature.
- Some invoices were past due despite adequate current funds to pay them.

Budgets

- The budget did not project a fund balance.
- Annual budgets were not prepared and approved by the Board.

Methods of Financing

- Long term debt was entered into without approval through a public vote.

Accounting Records and Procedures

- Accounting duties were not adequately segregated for three districts.
- All related party transactions were not fully disclosed at board meetings and accurately documented.
- A running total of maintenance and repair expenses by vehicle was not maintained.
- Activity for two bank accounts, which have since been closed, was not included in the accounting records.
- There was not a signed written agreement between the district and the volunteer firefighters documenting arrangements agreed to regarding the building of a fire station.
- Invoices were not filed in a manner which made them easily accessible for perusal. Invoices were not properly canceled after payment.

- Accounting records did not classify receipts by type.
- There was not a proper separate accounting for the activities and assets of the fire protection district and those of a related organization.

GASB 34

- The district should 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.*