



Susan Montee, CPA
Missouri State Auditor

April 2007

Ebenezer Fire Protection District

Year Ended December 31, 2005



Office Of
Missouri State Auditor
Susan Montee, CPA

April 2007

The following findings were included in our audit report on the Ebenezer Fire Protection District.

Ebenezer Fire Protection District funds have been misappropriated and misused. The Board of Directors have made questionable decisions and have not provided the guidance and controls necessary to properly account for all district funds.

A 10-year employment contract for the former Fire Chief was approved on April 11, 2002. This original contract included a retroactive salary payment dating back to January 1, 2002 for \$9,600 that appears to violate the Missouri Constitution. Additionally, the check cleared the district's bank account two days prior to the Board's approval of the contract. Because of concerns of nepotism with the 2002 contract, the Board subsequently approved and signed another contract on June 24, 2003. However, one board member had not taken his oath of office, as a result, on August 5, 2003 the Board finally approved and signed the final 10-year contract. In March 2006 the Board terminated the employment contract with the former Fire Chief paying him \$28,500.

The former Fire Chief's employment contract included unreasonable and excessive terms such as ten percent raises annually for the first five years, an unspecified gas allowance, and a 90 percent buyout clause if the contract was terminated for reasons other than those specified in the contract. Additionally, prior to terminating the contract in March 2006, the district paid the former Fire Chief \$1,597 for two weeks vacation leave; however, leave records had not been maintained. The former Fire Chief also maintained living quarters in one of the fire stations. As a result, it appears some of the former Fire Chief's personal expenses were paid with district funds between January 2003 and February 2006 including satellite TV and extra receiver (\$3,600), newspaper subscriptions (\$440), and Internet service (\$830).

The Capital One credit card issued to the former Fire Chief included numerous questionable charges totaling approximately \$4,025 including: household and personal items (\$1,135), a home theatre system (\$515), and fireworks (\$325). In addition, late fees (\$180), finance charges (\$87), and over limit fees (\$58) were paid by the district. Itemized receipts were not available for charges totaling approximately \$1,660.

Between January 2004 and February 2006 approximately \$16,115 was charged to a discount store credit card account and paid by the district. Approximately \$13,565 was charged to the card issued to the former Fire Chief, of which at least \$8,300 appears to be questionable, according to district officials. Additionally, during this same time period, approximately \$21,000 was charged to the district's home improvement store credit card, of which at least \$5,400 appears to be for questionable purchases.

(over)

YELLOW SHEET

A \$2,000 cash donation was received, but not deposited into the district's bank account, and there is no documentation to indicate the disposition of these funds. Additionally, four deposits into the district's account between January 2004 and December 2005 totaling approximately \$3,000 were labeled as vending revenue on deposit slips; however, information from the district's bank indicates checks for donations and other revenue were actually deposited into the district's account. Because adequate records were not maintained of cash received from the vending machine and information recorded on deposit slips is unreliable, it is not clear how much revenue was received and should have been deposited into the district's bank account.

At least \$6,988 in district funds appears to have been spent on repairs and tires for personal vehicles owned by the former Fire Chief and the former District Engineer, and on automotive parts that district personnel indicate would not fit any vehicle owned by the district.

Between January 2003 and February 2006, the district spent approximately \$7,000, for cellular phone services. Our review of phone bills identified numerous calls that appear to be personal, as well as equipment charges (\$800), plan overage charges (\$260), and ring tone charges (\$75). Although the district canceled all cellular phone contracts in March 2006, the equipment has not been returned to the district.

The District Engineer was paid a total of \$57,800 between July 2003 and July 2005, when he terminated employment with the district. Numerous payroll transactions involving the former District Engineer appear questionable. Additionally, documentation was not maintained to support \$18,000 paid to fire district personnel for attending training and responding to emergency calls, including \$2,800 paid to some personnel in advance.

Between January 2004 and March 2006 the district paid more than \$38,000 for fuel. The Board allowed officers to put up to \$75 per month in fuel in their personal vehicles and charge it to the district. There is no evidence that Board Members monitored the amount of fuel put into the district-owned vehicles, or the amount of fuel put in the officers' personal vehicles. In March 2006 the district discontinued this practice and the average fuel costs paid by the district decreased from approximately \$1,400 to approximately \$600 per month.

The district does not have a formal bidding policy, and documentation of bids was not maintained for many of the district's larger purchases including, construction of a new fire station (\$135,000), thermal imaging camera and a gas detector (\$14,500), insurance (\$21,800) and vehicle repairs (\$2,900). Additionally, supporting documentation was not retained for some disbursements.

Accounting duties are not adequately segregated, check issuing controls need improvements, receipt slips are not issued for monies collected, deposits are not made frequently enough and bank reconciliations are not always performed. In addition, the board did not adequately monitor the district's financial condition and budgeting procedures were not in accordance with state law.

Also included in the report are recommendations related to district policies and procedures, board meeting minutes, and capital assets.

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

EBENEZER PROTECTION DISTRICT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Board of Directors
Ebenezer Fire Protection District
7918 N. Farm Road 145
Springfield, MO 65803

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Ebenezer Fire Protection District. The district engaged Mitchell, Roy & Wilson, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The district has provided written confirmation to the State Auditor's Office of their plans to obtain an audit for the two years ended December 31, 2006 in accordance with Section 321.690, RSMo. The scope of our audit of the district included, but was not necessarily limited to, the year ended December 31, 2005. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by December 2006.

The accompanying History, 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 the audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Ebenezer Fire Protection District.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

| | |
|---------------------|--------------------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager: | Donna Christian, CPA, CGFM |
| In-Charge Auditor: | Jay Ross |
| Audit Staff: | Diane Smiley Candace Copley |

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

EBENEZER FIRE PROTECTION DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Lack of Financial Oversight

Ebenezer Fire Protection District funds have been misappropriated and misused, and questionable decisions have been made by the Board of Directors. There is no evidence to indicate that Board Members have provided the guidance and controls necessary to ensure district funds are accounted for properly.

- The district paid \$28,500 to the former Fire Chief to terminate a 10-year employment contract that may have resulted in nepotism when initially approved, and included a retroactive salary payment that appears to have violated the Missouri Constitution.
- The former Fire Chief maintained living quarters in one of the fire stations, and as a result, the district appears to have paid numerous personal living expenses such as satellite TV, newspaper delivery, and internet service. The personal expenses were not authorized in the former Fire Chief's contract and not reported in gross income on his W-2.
- Personal and questionable charges totaling at least \$22,000 were made to district credit cards by the former Fire Chief and the former Assistant Fire Chief. These charges were paid for with district funds, and included household items, plants, and charges for fencing supplies and cherry hardwood flooring materials that do not appear to have been used on district property.
- A cash donation of \$2,000 and an undetermined amount of vending machine cash receipts were not deposited into the district's bank account and are unaccounted for.
- Approximately \$7,000 in district funds were paid for automotive repairs, parts, and tires, most of which were for the personal vehicles of the former Fire Chief and former District Engineer, including \$1,367 paid for tires put on the District Engineer's personal vehicle 2 months after he terminated employment with the district.
- Payment for compensatory, holiday, and vacation time totaling \$5,900 paid to the former District Engineer is questionable.
- Documentation was not maintained to support \$18,000 paid to volunteer fire district personnel during 2004 and 2005 for responding to emergency calls, including \$2,800 paid in advance of the call.

- The district paid at least \$38,000 for fuel between January 2004 and March 2006, some of which was placed into the personal vehicles of district personnel. There is no evidence the Board monitored fuel purchases, and documentation to support fuel charges was inadequate.

Given all the concerns noted in this report it is apparent that no one adequately monitored district financial activity. By not providing adequate oversight, and making good management decisions, the Fire Protection District Board has placed district funds at risk, resulting in the misappropriation and misuse of district funds.

WE RECOMMEND the Fire Protection District Board of Directors provide the necessary oversight to ensure district funds are handled appropriately.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board of Directors has made many changes throughout the past year and has taken measures to ensure that district funds are being handled appropriately. The current Board of Directors now reviews all expenditures before they are paid and has developed written policies and procedures to better direct personnel. The Board is currently working with law enforcement officials regarding the misappropriation of district funds, and will seek any restitution that is due to the district for funds that were misappropriated or used for personal use.

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| 2. Former Fire Chief's Employment Contract |
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The Fire Protection District Board paid \$28,500 to the former Fire Chief to terminate an excessive and unreasonable 10-year employment contract. Additionally, the former Fire Chief resided at a fire station and, as a result, district funds were used to pay personal living expenses.

- A. In March 2006 the Board terminated the employment contract with the former Fire Chief paying him \$28,500, and signed an agreement indicating the district did not believe the former Fire Chief intentionally misused or misappropriated any funds of the district and any restitution claimed to be due or owed to the district had been resolved.

According to board meeting minutes, a 10-year employment contract for the former Fire Chief was approved on April 11, 2002 with a vote from the former Fire Chief's brother-in-law which may have violated state nepotism laws. Board meeting minutes indicate the Board President (father of the former Fire Chief) abstained from voting on the contract.

This original contract included a retroactive salary payment dating back to January 1, 2002 for \$9,600 which appears to violate Article III, Section 39 of the

Missouri Constitution. Additionally, the \$9,600 check paid to the former Fire Chief was dated April 8, 2002 and cleared the district's bank account on April 9, 2002, two days prior to the Board's approval of the contract. Subsequently on January 28, 2003 board meeting minutes indicated the \$9,600 needed to be repaid to the district; however, no record of repayment from the former Fire Chief was found in district records.

Because nepotism may have occurred with the approval of the 2002 contract, the Board subsequently approved and signed another 10-year contract on June 24, 2003. One of the newly appointed board members that approved that contract did not take his oath of office until two days later on June 26, 2003, and as a result, on August 5, 2003 the Board finally approved and signed the final 10-year contract for the former Fire Chief.

The former Fire Chief's contract included unreasonable and excessive terms such as ten percent raises annually for the first five years, an unspecified gas allowance, and a 90 percent buyout clause if the contract was terminated for reasons other than those specified in the contract. The contract also indicated the former Fire Chief was allowed to have a second job, and was expected to work not less than 40 hours per week for the district; however, no time sheets were maintained to document compliance with those provisions. Additionally, prior to terminating the contract in March 2006, the district paid the former Fire Chief \$1,597 for two weeks vacation leave; however, leave records had not been maintained to document the amount of leave earned, taken or that any leave balance existed.

According to board meeting minutes, the \$28,500 payment was approved by the Board because the district had not paid the former Fire Chief's health insurance or contributed towards a retirement plan as specified in the contract. However, it is unclear what amounts were applied to these omissions, and considering the questionable transactions involving the former Fire Chief, it is unclear how the Board determined the settlement amount.

The former Fire Chief's lengthy employment contract and subsequent termination agreement proved costly to the district and is representative of management decisions made by the Board.

- B. Although not specifically authorized in the employment contract, the former Fire Chief maintained living quarters in one of the fire stations. As a result, it appears some of the former Fire Chief's personal expenses (in addition to those noted in MAR 3 and 4) were paid with district funds between January 2003 and February 2006. For example, satellite TV including movie channels, Pay Per View, and an extra receiver (\$3,600), newspaper subscription (\$440), and internet service (\$830) were paid by the district. Additionally, our review of the district's land line phone service identified some long distance calls which appear to be

personal. There is no evidence these added benefits were reported as compensation on the former Fire Chief's W-2.

There is no documentation in the former Fire Chief's employment contract or in the board meeting minutes to indicate the board approved paying these expenses. Electronic withdrawals were made from the district's bank account to pay for the internet service, and district checks were issued for the other services. After the former Fire Chief's employment was terminated, the district discontinued satellite TV, newspaper, and internet service.

The Board's lack of adequate management procedures allowed these personal expenses to be paid with district funds.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Ensure future employment contracts contain terms that are reasonable and comply with state law.
- B. Adequately monitor district finances to prevent future payment of personal expenses with public funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. *The district does not currently have any employment contracts in effect. The current Board of Directors acknowledges that the former Fire Chief's contract contained unreasonable terms and conditions, that is why the Board felt it imperative to get out from under the contract. The Board, and its legal counsel, undertook negotiations with the former Fire Chief and his attorney. With the significant exposure and the threat of litigation, the Board extensively reviewed the potential for an adverse outcome versus the cost of defending the threatened action. Without waiving attorney client privileged, the Board can make the following disclosures as to some of the issues that were considered in making its decision:*
 - 1. *The expense of litigation which would likely meet or exceed \$20,000 with attorney fees and costs to litigate the validity of the contract;*
 - 2. *There was a potential that the contract could, at the very least, be enforced for the term of the Board who had continued to ratify it by payment under its terms at a cost of over \$50,000 per year;*
 - 3. *Money under the terms of the contract was owed for health and dental insurance which had not been paid even during the term of the contract when it would have been considered valid for the life of the original board term. The amount of the*

health and dental insurance quote that had been obtained by the contracting Board was approximately \$19,600 for the back amount owed under the contract.

4. *The Board also considered the cost of payment to the former Fire Chief while he was on suspension during the criminal investigation and prior to being convicted of a felony, which was estimated to be a term of two years or a little over \$100,000.*
5. *The negotiating Board was not aware of the extent of criminal activity by the former Fire Chief. The Board did consider some of the soft costs expended by the former Fire Chief, such as purchases of dog food for the stray animals that were being kept at the station, and plants purchased to decorate the station. The former Fire Chief denied any intentional stealing or misappropriation of District funds during the negotiation process. Therefore, the amounts owed to the District because of criminal activities will be sought to be reimbursed as part of the criminal action restitution process.*

B. The Board agrees that these services were used for personal purposes and were not approved by the former Board. The current Board now reviews and approves all expenditures. While the current Board is currently considering obtaining internet service again at Fire Station #1, the business purpose and approval will be documented in the Board Minutes.

3.

Credit Cards

Personal and questionable items totaling at least \$22,000 were charged on district credit cards and paid for with district funds.

Three credit cards were held in the district's name, including a Capital One card, a discount store card, and a home improvement store card. There is no documentation to indicate the board approved payment of these credit card accounts, and we identified numerous personal and questionable charges, and inadequate supporting documentation for most credit card purchases.

- A. The Capital One credit card issued to the former Fire Chief included numerous charges district officials indicate are personal and questionable in nature, totaling approximately \$4,025 between January 2004 and February 2006 as follows:

| <u>Item</u> | <u>Amount</u> |
|-------------------------------|---------------|
| Household and personal items* | \$ 1,135 |
| Plants and supplies | 1,070 |
| Home theatre system | 515 |
| Pet supplies | 395 |
| Fireworks | 325 |
| Food | 310 |
| On-line purchases | <u>275</u> |
| Total | \$ 4,025 |

* Includes clothing, medication, personal hygiene items, and other personal items.

In addition, late fees (\$180), finance charges (\$87), and over limit fees (\$58) were paid by the district. A total of approximately \$6,380 was charged to the Capital One card between January 2004 and February 2006, and of the remaining \$2,030, itemized receipts were not available for charges totaling approximately \$1,660.

- B. Three district personnel appear to have been issued discount store credit cards, including the former Fire Chief, former Assistant Fire Chief, and current District Secretary. Between January 2004 and February 2006 approximately \$16,115 was charged on this credit card account and paid by the district.
1. Approximately \$13,565 was charged to the discount store credit card issued to the former Fire Chief, of which at least \$8,300 district officials indicate appears to be personal or questionable in nature as follows:

| <u>Item</u> | <u>Amount</u> |
|-------------------------------|---------------|
| Household and personal items* | \$ 3,830 |
| Food | 2,870 |
| Plants and supplies | 490 |
| Clothing | 390 |
| Medication | 360 |
| Pet supplies | <u>360</u> |
| Total | \$ 8,300 |

* Includes laundry supplies, outdoor furniture, clothing, personal hygiene items, small furniture items, VCR, utensils, pots and pans, and other miscellaneous personal items.

Of the remaining \$5,265, approximately \$1,100 was for beverage purchases which may have been used in the district's vending machine (see MAR 4), and itemized receipts were not available for charges totaling approximately \$550.

2. The former Assistant Fire Chief charged approximately \$2,425 to the discount store credit card including \$2,075 that district officials indicate appears to be personal or questionable in nature for purchases of food

(\$1,425) and household and personal hygiene items (\$650). Additionally, itemized receipts were not available for charges totaling \$95.

Charges made by the current District Secretary totaled only approximately \$125 and appeared to be for district related expenses.

- C. Approximately \$21,000 was charged to the district's home improvement store credit card between January 2004 and February 2006 of which at least \$5,400 district officials indicate appears to be for questionable and personal purchases. Examples include charges for fencing supplies, cherry hardwood flooring materials, and plants and gardening supplies. It does not appear the fencing and cherry hardwood flooring materials were used on district property, and plants and gardening supplies do not appear to be a reasonable expense of the district. These charges appear to have been made by the former Fire Chief.

There is no evidence in district records that the personal charges to the district's credit card were reimbursed. Additionally, information provided by the Greene County Sheriff's Department indicates similar personal and questionable charges were made to these credit cards prior to 2004.

There is no documentation in the board meeting minutes or on the credit card statements to indicate the Board reviewed and approved payment of these credit card bills. Electronic payments withdrawn directly from the district's bank account without documented approval by the Board, and checks signed only by the Board President (see MAR 6) were used to pay most of these credit card purchases. Additionally, itemized receipts were not maintained on file by the district for many of these credit card purchases, but most were later obtained directly from the vendor. Further, the board did not have a credit card policy in place addressing appropriate use of district credit cards.

As noted in MAR 1 the Fire Protection District Board's lack of oversight has allowed the misappropriation of district funds through the inappropriate use of credit cards to go undetected. The Fire Protection District Board has taken steps to cancel all credit cards.

WE RECOMMEND the Fire Protection District Board of Directors continue working with law enforcement authorities regarding any criminal prosecution and obtaining full reimbursement of the misappropriated funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The Board will continue to work with law enforcement authorities regarding criminal prosecution and will make every effort to obtain full reimbursement of any misappropriated funds.

4.**Questionable Transactions**

A cash donation of \$2,000 and an undetermined amount of vending machine cash receipts were not deposited into the district's bank account and are unaccounted for. Approximately \$6,988 was paid for repairs and tires for the personal vehicles of the former Fire Chief and the former District Engineer, and for automotive parts that district personnel indicate would not fit any vehicle owned by the district. In addition, over \$7,000 was paid for cellular phone service that included unreasonable charges and personal phone calls. District funds were also spent on other items that appear to be personal.

A. Some district receipts were not deposited and are unaccounted for as follows:

1. A receipt slip written on December 1, 2003 for a \$2,000 cash donation was not deposited into the district's bank account. The receipt slip indicates the funds were a donation for "Jaws"; however, according to district personnel this type of equipment has not been purchased for the district since this donation was received. There is no documentation to indicate the disposition of these funds.
2. The district owns a vending machine which holds beverages and snacks. According to district personnel, items are purchased for the vending machines with district funds and the cash received from the machine is to be deposited into the district's bank account. Our review of deposits into the district's account between January 2004 and December 2005 identified four deposit slips totaling approximately \$3,000 labeled as vending revenue; however, information obtained directly from the district's bank indicates checks for donations and other revenue were actually deposited into the district's account instead of vending machine revenue as the deposit slips appear to indicate.

Because adequate records were not maintained of cash received from the vending machine and information recorded on deposit slips is unreliable, it is not clear how much revenue was received and should have been deposited into the district's bank account. However, our review of various district disbursements identified at least \$1,100 in beverage purchases during 2004 and 2005 which may have been used to stock the vending machine. We were unable to determine the amount of snacks purchased for the machine.

In September 2006 the district began maintaining records on the sale of vending machine items. This record indicates approximately \$25 was removed from the machine in September 2006, and the district currently receives \$25 to \$50 per month in vending revenues.

Due to poor controls over district collections as discussed in MAR 6, the district was not aware these receipts were not accounted for.

- B. At least \$6,988 in district funds appears to have been spent on repairs and tires for personal vehicles owned by the former Fire Chief and the former District Engineer, and on automotive parts that district personnel indicate would not fit any vehicle owned by the district.

During 2004 and 2005 the district paid approximately \$3,000 for repairs which detailed invoices indicate were made to the former Fire Chief's personal vehicle. Additionally, in September 2005 the district paid \$2,588 to a tire vendor, which the memo line of the check indicates were for "Engine #2." However, documentation we obtained directly from the vendor indicates tires totaling \$1,221 were installed on a truck licensed to the former Fire Chief, and tires totaling \$1,367 were installed on a truck licensed to the former District Engineer. The former District Engineer terminated employment with the district in July 2005, two months before these tires were purchased for his personal vehicle. Further, there is no indication in the former Fire Chief's employment contract that the district would pay for repairs to his personal vehicle.

Also, our review of other automotive parts purchased by the district identified at least \$1,400 in automotive parts purchased during 2003, 2004 and 2005 that district personnel indicate would not fit any vehicle owned by the district. According to invoices, most of these charges were made by the former Fire Chief.

There is no documentation in district records that these transactions were approved by the Board, as a result, the lack of proper oversight and independent review of disbursements have allowed improper and questionable transactions such as these to occur and go undetected. The Board should review the transactions and obtain reimbursement for amounts determined to be personal and unauthorized.

- C. Between January 2003 and February 2006, the district spent approximately \$7,000, for cellular phone services for the former Fire Chief, Department Engineer, and a volunteer fireman. There was no documentation in the minutes that the board discussed the need for district personnel to have cellular phones or approved the cellular phone contracts. Our review of phone bills identified numerous calls which appear to be personal in nature, as well as equipment charges (\$800), plan overage charges (\$260), and ring tone charges (\$75). There was no indication the bills had been reviewed by the individual phone users (to identify personal calls) or reviewed and approved by the Board. As a result, it is questionable whether or not the costs represent legitimate district related expenses. The district canceled all cellular phone contracts in March 2006, however, the equipment has not been returned to the district.

To ensure all disbursements represent valid operating costs of the fire district, all contracts should be authorized by the Board, and all invoices should be reviewed and approved by the Board before payment is made. The Board should follow up and obtain reimbursement of personal costs related to the cellular phone usage and equipment.

- D. Other disbursements made by the district that appear personal include \$547 paid to a mail order gift store, and \$94 paid for one month's satellite TV bill for the District Engineer's personal residence. The gift store invoice indicated most items were mailed to the attention of the District Engineer's wife.

The Board should ensure district funds are not used for personal expenses, and obtain reimbursement for these amounts.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Follow up on the disposition of cash donations and vending machine revenue.
- B. Review district expenses for automotive repairs, parts, and tires and obtain reimbursement for amounts determined to be personal and unauthorized.
- C. Approve all contractual agreements and invoices prior to payment, and follow up and obtain reimbursement of personal cellular phone related charges.
- D. Obtain reimbursement of personal expenses paid with district funds.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board of Directors agrees that these questionable transactions should not have been allowed to occur. The current Board has implemented a policy regarding how funds are to be handled. Additionally, a ledger for vending machine monies is now maintained. The current Board has also implemented procedures to ensure reviews are performed of district financial records, district expenditures, and all contractual agreements. These reviews are documented. Again, the current Board of Directors will make every effort to obtain full reimbursement of the misappropriated funds.

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| 5. Personnel and Fuel Procedures |
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Payroll transactions involving the former District Engineer appear questionable. Documentation was not maintained to support \$18,000 paid to fire district personnel for attending training and responding to emergency calls, including \$2,800 paid to some personnel in advance. Additionally, the Board did not monitor over \$38,000 in fuel put

into vehicles owned by the district and owned personally by district officers between January 2004 and March 2006.

A. Payroll transactions involving the former District Engineer appear questionable as follows:

1. In July 2003 the Board approved hiring the District Engineer at \$12 per hour, and in January 2004 the District Engineer's hourly rate was increased to \$12.50 per hour. There is no documentation to indicate that this increase was approved by the Board.
2. In June 2005 the District Engineer was paid \$5,400 for 240 hours of accumulated compensatory time, and 48 hours in accumulated holiday time. Although the July 2003 board meeting minutes indicate that no overtime was to be worked by the District Engineer unless the front line trucks were down and the overtime was approved by the Board, time cards periodically reflected an additional 10-hour day was worked during the week. There was no documentation to indicate that the payment of holiday and compensatory time was approved by the Board.
3. In July 2005 the District Engineer terminated employment and was paid \$500 for one week of unused vacation time; however, there is no documentation in the board meeting minutes to indicate whether or not vacation time was to be earned by the District Engineer. Additionally, there are no leave records maintained to track vacation leave earned and used, and there is no documentation to indicate this payment was approved by the Board.
4. Time cards prepared by the District Engineer appeared questionable. While the district has an automated time clock to document the time in and out on the time cards, the time clock was rarely used. We only identified 12 days during 2004 when the time clock was used. Instead times in and out each day were routinely hand written and rarely varied from day to day. Additionally, the time cards were not signed by the District Engineer or the former Fire Chief, and there is no documentation to indicate they were reviewed and approved by the Board.
5. In 2004 the District Engineer was paid \$1,549 in addition to his salary to attend training and respond to emergency fire calls. There is no documentation to indicate whether or not the training and the emergency calls occurred outside the working hours reported on the District Engineer's time cards. (See part B below.)

The District Engineer was paid a total of \$57,800 between July 2003 and July 2005, when he terminated employment with the district. The Board's lack of adequate review procedures allowed these questionable transactions to occur and

not be detected. The Board should review payroll transactions of the former District Engineer to ensure all compensation was properly earned and authorized.

- B. Documentation was not maintained to support \$18,000 paid to fire district personnel during 2004 and 2005 for attending training, and responding to emergency calls, including \$2,800 paid to some personnel in advance.

The district could not provide any documentation of the number of emergency calls, who responded, or the training attended by personnel. While the district spent approximately \$600 in January 2005 to update software they owned to track emergency calls and personnel training, no documentation could be located concerning the calls. According to district officials, the amount paid to volunteers was determined based upon the number of emergency calls and the total amount budgeted by the board; however, without documentation it is unclear if payments to personnel were appropriate.

Additionally, district records indicate three individuals received a total of \$2,800 in advance of responding to emergency calls. Adequate documentation was not maintained to determine whether or not the district accounted for these advances in subsequent payments, and there is no documentation in the minutes to indicate that the board approved paying these individuals in advance. In March 2006, the board discontinued paying fire district personnel for responding to emergency calls and attending training.

Further, while payments totaling over \$600 annually were reported on form 1099-MISC, the district should contact the Internal Revenue Service to determine if it is more appropriate to handle these payments as wages subject to withholdings and taxes.

If the Board determines in the future it is necessary to compensate district personnel for responding to emergency calls and attending training, adequate documentation should be maintained to support the amounts paid, and the board should refrain from making payments in advance. Additionally, the Board should review past payments to ensure all compensation was properly earned and authorized.

- C. Fuel purchases were not monitored by the Board, and documentation to support fuel purchases was not adequate. Between January 2004 and March 2006 the district paid more than \$38,000 for fuel, or an average of approximately \$1,400 per month.

Fuel was put into fire district vehicles and equipment and charged to the district. Also, the Board allowed officers to put up to \$75 per month in fuel in their personal vehicles and charge it to the district. There is no evidence to indicate that Board Members monitored the amount of fuel put into the district-owned vehicles, or the amount of fuel put in the officers' personal vehicles.

Charge slips were not retained to support some fuel purchases, and many of the charge slips that were included in the district's files did not always include the type of fuel (gas or diesel), or a description of the vehicle receiving the fuel. However, our review of some of the charge slips that were retained identified several incidents where unleaded fuel was purchased, but the vehicle noted as receiving the fuel on the charge slip used diesel fuel. Additionally, mileage and maintenance logs are not maintained on district-owned vehicles for comparison to fuel purchases.

Board meeting minutes in March 2006 document concerns about officers receiving more than the \$75 in fuel approved by the Board, and district financial records document at least one reimbursement of \$75 from an officer for excess fuel. In March 2006 the district discontinued allowing officers to put fuel in their personal vehicles, and the average fuel costs paid by the district decreased to approximately \$600 per month between April 2006 and December 2006.

If the Board determines it is necessary to reimburse personnel for the use of their personal vehicles, procedures should be developed for personnel to receive reimbursement based upon documentation provided of the number of miles driven. In addition, mileage and maintenance logs on district-owned vehicles are necessary to document the appropriate use of vehicles and to support fuel and other charges. Information on the logs should be periodically reconciled to applicable expenditure records to help identify and prevent inappropriate fuel purchases or other maintenance and operating charges.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Review payroll transactions of the former District Engineer to ensure all compensation was properly earned and authorized.
- B. Review amounts paid to fire district personnel to ensure all amounts were properly earned and authorized. Additionally, in the future adequate documentation should be maintained to support amounts paid to fire district personnel, and the Board should refrain from making payments in advance.
- C. Review amounts paid by the district for fuel placed in personal vehicles to ensure all amounts were properly authorized, and if determined necessary, future reimbursements should be based upon documented mileage. Additionally, the Board should require mileage and maintenance logs be maintained on district-owned vehicles.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. The current Board of Directors believes that law enforcement has reviewed the former District Engineer's payroll transactions and is aware of the inconsistencies and will take appropriate action. The Ebenezer Fire District currently has no employees, but in the case that there may be employees in the future, the Board will ensure that all wages paid are properly earned, documented and authorized.*
- B. The current Board believes that a computer hard drive obtained by the Greene County Sheriff's Office may have electronic files documenting how the distribution of run money was determined. We are waiting on a forensic report from the Greene County Sheriff's Office on the review of this hard drive.*
- C. The current Board is aware fuel abuse occurred, and will take the necessary actions to obtain reimbursement for unauthorized and improper fuel usage.*

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| 6. Accounting Controls and Procedures |
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Duties are not adequately segregated and numerous concerns were noted with signatures on checks issued by the district. Additionally, receipts slips are not issued for monies received, monthly bank reconciliations are not performed and documented, and deposits are not made timely.

- A. Accounting duties are not adequately segregated. The District Secretary is responsible for all record keeping duties of the fire district. The duties include receiving and depositing monies, preparing and distributing checks, recording receipts and disbursements, signing checks, and reconciling bank accounts. Additionally, at times during 2004 and 2005 some of these duties were occasionally performed by the former Fire Chief. There is no documentation to indicate that personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the current or former District Secretary and the former Fire Chief.

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 would be improved by segregating the duties of receiving, recording, and disbursing monies from that of reconciling accounting records to bank statements. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the bank reconciliations, a reconciliation of receipts and deposits, and a comparison of invoices and disbursements. Had such controls been in place, the misappropriations noted in MAR 3 and 4 might have been prevented.

B. Numerous concerns were identified during our review of checks written by the district.

1. Prior to December 2004 checks routinely contained two signatures; however, between December 2004 and February 2006 over 375 checks totaling more than \$270,000 cleared the district's bank account with only one signature. While most of these checks were signed solely by the former Board President, approximately 30 of these checks totaling over \$18,000 were signed by the former District Secretary who was relieved of her duties in August 2003.
2. The Board President's signature on some district checks issued during November and December 2005 appeared questionable. The signature on these checks did not appear to resemble the signature used on checks from previous months.
3. One check issued in December 2005 was signed by a board member who was not an authorized signor on the bank account.
4. District personnel indicated that checks were occasionally signed in advance by some authorized signors.
5. Voided checks were not properly defaced and retained.

To ensure all disbursement of district funds are appropriate, dual signatures should be required on all checks, only authorized signors should be permitted to sign checks, the practice of signing checks in advance should be prohibited, and voided checks should be properly defaced and retained.

C. Receipt slips are not issued for monies received, and a ledger listing amounts received by the district is not maintained. Money received is typically recorded on the deposit slip and the deposit amount is posted to the check register; however, deposit slips usually did not indicate individual receipt amounts deposited. As a result, there was no record of the individual receipts included in the total.

To help ensure collections are properly recorded and deposited, pre-numbered receipt slips should be issued for all monies received, the method of payment received should be recorded on the receipt slips, and the composition of receipt slips should be reconciled to the composition of deposits.

D. Monthly bank reconciliations are not always performed and documented, and the district's check register was not accurately maintained. We performed a reconciliation as of December 31, 2005 and identified two deposits totaling approximately \$2,300, and 16 electronic fund transfers and one check totaling approximately \$1,500 that were not recorded in the check register. In addition,

another deposit made during October 2005 was recorded as \$1,499; however, the actual deposit was \$2,013. As a result of inadequate monitoring, the district did not have accurate balances and actually issued a check which was returned for insufficient funds during 2005.

If bank reconciliations had been performed monthly, these errors and omissions could have been detected. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.

- E. Deposits are not always made timely. For example, receipts totaling approximately \$2,500 were posted to the check register on October 17, 2005, but were not deposited until October 31, 2005.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be more frequent if significant amounts of cash are collected.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Adequately segregate the duties of receiving, recording, and depositing receipts. At a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Require two signatures by authorized signors on all checks, prohibit the practice of signing checks in advance, and deface and retain voided checks.
- C. Issue pre-numbered receipt slips for all monies received, indicated the method of payment on all receipt slips, and reconcile the composition of receipts to the composition of bank deposits.
- D. Perform and document monthly bank reconciliations, and ensure the district's check register is accurately maintained.
- E. Ensure deposits are made timely.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. *The current Board reviews accounting work performed by the District Secretary, and signs and documents the review in the monthly board meetings.*
- B. *The current Board has a check signing policy reflecting the requirement of two signatures and prohibiting the practice of signing checks in advance.*

- C. *Receipt slips are not currently written for tax revenue, but we will now begin writing receipts for all monies received.*
- D. *Monthly bank reconciliations are now being performed.*
- E. *Money is now deposited timely.*

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| 7. Expenditures |
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The district does not have a bidding policy, and could not provide bid documentation for the district's new fire station costing approximately \$135,000. Additionally, supporting documentation was not retained for some disbursements, district funds were used for items that appear unnecessary, and many invoices were not paid timely resulting in late fees and interest assessed to the district. Further, the district did not have a contract for construction management services, and did not issue Form 1099 Miscellaneous for these services.

- A. The district does not have a formal bidding policy, and documentation of bids was not maintained for many of the district's larger purchases. For example, during 2003 and 2004 the district constructed a new fire station which capital asset records indicate cost the district approximately \$135,000. There was no documentation in the district files or in board meeting minutes to indicate the board solicited bids for constructing this building.

Additionally, the district did not maintain documentation of bids for the purchase of a thermal imaging camera and a gas detector costing \$14,500 that was purchased in 2004 with grant revenues. Other examples of items purchased during 2005 and 2006 without bid documentation include insurance (\$21,800) and vehicle repairs (\$2,900). Further, proposals were not solicited for legal (\$9,100) and auditing services (\$2,224).

Although not required by law, formal bidding policy requiring the routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, etc.) for major purchases ensures the district has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in district business. Additionally, requiring the solicitation of proposals for professional services helps provide a range of possible choices and allows the district to make a better-informed decision to ensure services are obtained from the best qualified vendor at the lowest and best cost. Documentation of the various proposals received, and the district's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made.

- B. Supporting documentation was not retained for 16 of the 37 disbursements we selected for testing, totaling approximately \$30,000. Additionally, the board does

not document their approval of payment of disbursements and acknowledgment of receipt of goods or services is not documented on the invoices. For example, there was no supporting documentation or evidence of board approval for the purchase of light bars (\$1,500), a water tank (\$1,200), and emergency supplies (\$750). Further, adequate documentation was not maintained for some credit card purchases, and there is no evidence to indicate credit card statements were reviewed and approved by the Board.

All disbursements should be supported by detailed invoices, paid receipts, or contracts to ensure the obligations were actually incurred and the disbursements represent an appropriate use of public funds. To adequately document the Board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, invoices should have acknowledgment of receipt of goods or services to ensure all disbursements represent valid operating costs of the fire district.

The lack of proper oversight or independent reviews over the disbursements have allowed the personal and questionable disbursements noted in MAR 2 and 3 to go undetected.

- C. District funds were used for some disbursements that do not appear to be necessary operating expenses of the fire protection district. For example, the fire district used public monies to fund Christmas dinners for firefighters, board members and their families costing \$280, and \$337 in 2005 and 2004, respectively. Additionally, approximately \$650 was paid for food and drinks for fire district personnel working at the fair. Further, the district spent approximately \$6,000 on more than 980 t-shirts and sweatshirts for fire district personnel between January 2002 and July 2004. Only approximately 300 shirts are currently on hand or assigned to volunteers.

These expenditures do not appear to be a prudent use of public funds. The district's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner. The Board should ensure fire district funds are spent only on items which are necessary and beneficial to the district.

- D. Procedures have not been established to ensure the timely processing of invoices, and when invoices were paid timely the district did not take advantage of discounts offered for timely payment. There were numerous instances where the district incurred late fees and interest charges totaling at least \$520 on the district's credit cards, and several other vendor invoices also had late fees assessed. Additionally, we identified one instance where an invoice was paid early; however, the district did not take advantage of a discount totaling \$82.

Procedures should be developed to ensure all invoices are paid timely and that the district takes advantage of available discounts.

- E. The district paid a local contractor \$4,750 to provide management oversight during the construction of the new fire station. The district did not have a contract for these services, supporting documentation did not provide adequate details of the service provided, and Form 1099 Miscellaneous was not sent to this individual as required.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099. Further, adequate supporting documentation should be obtained for all disbursements.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Adopt a comprehensive bid policy which requires bidding and establishes bidding guidelines for various types of expenditures, including soliciting proposals for professional services.
- B. Ensure supporting documentation is maintained for all disbursements. Additionally, all disbursements should be approved by the Board and acknowledgment of receipt of goods or services should be documented on invoices.
- C. Ensure expenditures are a necessary and prudent use of fire district funds.
- D. Develop procedures to ensure all invoices are paid timely and take advantage of available discounts.
- E. Enter into written contracts outlining the service to be provided, ensure Form 1099 is issued in accordance with IRS regulations, and maintain adequate supporting documentation for all disbursements.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board has implemented several policies and procedures regarding the disbursement of district funds. A comprehensive bid policy is now in place, and twice per month the current Board reviews and pays all expenses. Supporting documentation for all expenses is reviewed and signed by the Board. These policies and procedures ensure district funds are spent

appropriately, and invoices are paid timely. Additionally, written contracts are initiated when appropriate, and reporting requirements will be complied with.

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| 8. District Policies and Procedures |
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The district does not have written policies addressing various district operations, one Board Member was paid attendance fees in advance of attending the board meetings, and the district does not have a written agreement with its current depository bank. Also, some district personnel are not adequately bonded.

- A. The district does not have written policies in effect addressing various district operations such as purchasing and bidding procedures, revenue collection and financial reporting procedures, as well as duties and responsibilities of district officials. Various board meeting minutes indicate district personnel have been unable to locate district by-laws. To properly manage district operations and to provide guidance to officials and personnel, the Board should develop written policies and procedures addressing the various aspects of district operations.
- B. One Board Member was paid attendance fees in advance of attending the board meetings. Section 321.190, RSMo, authorizes each member of the board to receive attendance fees not to exceed \$100 per meeting for up to two meetings per month. A \$200 payment made to one Board Member was labeled as an "advance payment" in district records. While this payment was deducted from future attendance fees paid to this Board Member, the district should refrain from paying attendance fees in advance. Additionally, attendance fees were not paid to the other two board members and there was no documentation to indicate why these statutory fees were not being paid.
- C. The district does not have a written agreement with its current depository bank, and in January 2006 district deposits were not sufficiently collateralized. Deposits were under collateralized by approximately \$59,000 in January 2006 when the district received most of their property tax revenue. Additionally, district funds are deposited into non-interest bearing accounts, and balances ranged from \$2,000 to \$159,000 during 2005 and 2006.

A written depository contract helps both the bank and the district understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds. Additionally, the contract should specify the required number of signatures on checks, and procedures for authorizing electronic transfers from the district's accounts.

- D. The District Secretary and Board Members were not adequately bonded. For example, the former board president was bonded for only \$500, yet he was the sole signor on most fire districts checks from December 2004 through January 2006. The other two board members were bonded for \$500 and \$5,000 and the District Secretary (Board Treasurer) was only bonded for \$15,000. In addition, the district did not obtain employee bond coverage for the former fire chief, who appears to have had access to district funds. As a result, it is not clear if district officials considered actual duties of personnel when determining the level of bond coverage.

As a means of safeguarding assets and reducing the fire district's risk in the event of a misappropriation of funds, all officials and employees handling monies should be adequately bonded. In July 2006 bond coverage for the District Secretary and Board Members were increased to varying amounts between \$75,000 and \$150,000.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Establish written policies and procedures addressing the various aspects of district operations.
- B. Discontinue the practice of paying board members attendance fees in advance, and pay attendance fees to all board members in compliance with state law.
- C. Enter into a depository agreement with its depository bank, ensure district funds are adequately secured, and maintain funds in interest bearing accounts when possible.
- D. Maintain adequate bond coverage for board members and all employees and volunteers with access to monies.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. *The current Board has approved and implemented several written policies and procedures addressing district operations.*
- B. *All current Board Members are being paid in accordance with state statutes.*
- C. *The current Board has recently approved, and is in the process of finalizing a bank depository agreement.*
- D. *Adequate bond coverage is now in effect.*

The Board did not adequately monitor the financial condition of the district. Additionally, the district's annual budgets were not prepared and approved by the Board in a timely manner, and did not include all the necessary information as required by state law. The district also did not submit audit reports to the State Auditor's Office timely.

- A. The Board did not adequately monitor the financial condition of the district. While the district contracted with an accountant to prepare monthly financial statements, there is no evidence that these statements were reviewed by the Board. Monthly board meeting minutes typically documented the balances of the district's bank accounts, and indicated the "Treasurer's Report" was read and approved; however, there is no report on file with the district or documentation to support the balances reported to the Board. According to the March 9, 2006 board meeting minutes, the bank account balances of \$352,056 reported at the February 6, 2006 board meeting were incorrect and should have been only \$158,817. District personnel indicated that financial records were not kept up to date during this time period causing this error.

Additionally, equipment costing \$14,500 was purchased out of loan proceeds the district received to construct a new fire station, and grant revenues received to reimburse the district for the equipment were deposited into the district's general operating account rather than used to repay the loan. Further, one instance was noted where attendance fees totaling \$200 were paid to a Board Member from these loan proceeds. There is no documentation to indicate the Board approved using construction loan proceeds for these purposes, or requested documentation such as bank statements to review activity in the various district accounts.

The Board's failure to adequately monitor the district's financial condition allowed the misappropriations noted in MAR 3 and 4 to go undetected. To ensure district funds are accounted for properly, the Board should review monthly financial statements, and ensure bank account balances are accurately reported.

- B. According to board meeting minutes, the 2006 budget was not prepared and approved until May 2006, and the 2005 budget was apparently not prepared until it was requested by the district's auditor in June 2005. Additionally, the budgets approved by the board do not include all required and necessary information, such as a budget message, the beginning cash balance and projected ending cash balance for district funds, and a comparative statement of actual or estimated receipts and disbursements for the two previous years. Also, because the board did not periodically compare budgeted amounts to actual expenditures, and did not adequately budget funds for new equipment and the construction of a new fire station, the district approved expenditures in excess of the budgeted amount by \$258,693 for the year ended December 31, 2004.

Section 67.010, RSMo, requires each political subdivision of the state to prepare an annual budget with specific information. Additionally, Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons, and Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. The failure to adhere to the expenditure limits imposed by the budget weakens the effectiveness of this process.

- C. The district obtained an audit for the year ended December 31, 2004; however, the audit report was not submitted to the State Auditor's office until August 9, 2006.

Section 321.690, RSMo, 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, and copies of the audit report must be completed and submitted to the State Auditor's Office within six months after the close of the audit period.

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Review financial statements monthly, and ensure accurate bank account balances are reported to the Board.
- B. Ensure budgets are prepared timely and in compliance with state law, and periodically compare actual revenues and expenditures with budgeted amounts to help ensure expenditures do not exceed the amounts approved in the budget. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Ensure audit reports and annual financial reports are completed and filed in accordance with state law.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. *The current Board reviews financial statements and ensures bank balances are accurately reported and documented in the monthly board meeting minutes.*
- B. *The current Board compares budgeted amounts to actual amounts at the monthly board meetings, and believes that the 2007 budget now complies with state law.*

- C. *We will ensure audit reports are obtained and submitted timely in accordance with state law.*

10.

Board Meeting Minutes

The Fire District Board held several closed meetings, but did not always maintain minutes to document matters discussed in those meetings. In addition, minutes were not signed by the District Secretary or the Board President, and did not always include sufficient detail of matters discussed or actions taken by the Board.

- A. The Board conducted several closed meetings; however, minutes of closed meetings were not always maintained. Furthermore, the Board does not always document the reason for and the vote to close a meeting. For example, on May 2, 2006 the minutes indicate the Board went into a closed meeting "for various reasons." There were five closed meetings from February through May 2006 where the board minutes failed to document a motion and/or vote to go into a closed session. Additionally, the minutes for February 2, 2006 indicated a closed meeting would be held to select a new Board President; however, there were no closed minutes of this meeting, and the district had nothing to support how this was an allowable topic under the law.

Section 610.020, RSMo, requires closed meeting minutes to document and record official board decisions and actions affecting the fire district. Additionally, Section 610.022(1) clearly states that the vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that public meeting or vote by reference to a specific section shall be announced publicly at an open meeting of the governmental body and entered into the minutes. Furthermore, Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The Board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. Board minutes are prepared by the District Secretary; however, the minutes are not signed by the District Secretary or the Board President. While most board meeting minutes indicate that minutes from the previous meeting were read and approved, some minutes do not document the approval of the minutes. The board minutes should be signed by the District Secretary as preparer and the Board President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. Minutes prepared to document open board meetings were not always accurate or did not contain sufficient details of matters discussed and actions taken at board meetings. Board minutes did not always include how each board member voted

on a motion, or the members present and absent. For example, on August 25, 2005, a decision was made to set the tax rate with no documentation of a motion, but only indicated the Board President voted to set the levy at 0.2783. In addition, the December 1, 2005, minutes indicated two board members approved allowing officers to charge fuel up to \$75 per month; however, the minutes do not document a discussion, a motion by the board, or the board's vote of approval.

Minutes serve as the only official permanent record of decisions made by the board. Therefore, it is necessary for the minutes to be accurate and complete to clearly document all business conducted and include the date, time, place, members present, members absent, and a record of votes taken as required by RSMo 610.020

WE RECOMMEND the Fire Protection District Board of Directors:

- A. Maintain minutes of all closed meetings, and ensure only allowable, specified subjects are discussed in closed session as required by state law. Furthermore, the board should ensure to document the reason, as allowed by law, for going into and coming out of a closed meeting along with a motion and the vote to do so.
- B. Ensure board minutes are signed by the Board Secretary as preparer, and by the Board President to attest to their completeness and accuracy.
- C. Ensure all significant information, discussions, actions taken, and a record of votes taken, as required by state law, are included in the minutes.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following responses:

- A. *The current Board has taken steps to ensure closed meetings comply with state law, and are adequately documented in minutes as required by law.*
- B. *Board meeting minutes are now signed by the Board Secretary and the Board President.*
- C. *Adequate detail of all significant information is now included in board meeting minutes as required by state law.*

11.

Capital Assets

The fire district has not prepared and maintained a permanent detailed record of property owned by the district. Instead, the fire district's accountant compiled a list of assets for the year ending December 31, 2004. The fire district does not tag or otherwise identify assets as property of the district and has not performed a physical inventory of district

property. According to the district's 2004 audit report, assets, net of depreciation, totaled \$432,848 (\$134,814 for vehicles and equipment, \$298,034 for land and buildings).

Property records for capital assets are necessary to secure better internal control over fire district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with fire district monies are being utilized by the fire district. Physical inventories are necessary to ensure the property records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Pre-numbered tags, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of fire district assets.

WE RECOMMEND the Fire Protection District Board of Directors maintain property records to account for all capital assets. Physical inventories should be performed and assets should be tagged to identify them as district assets.

AUDITEE'S RESPONSE

The Fire Protection District Board of Directors provided the following response:

The current Board has implemented a policy to ensure that property records are maintained which account for all capital assets, and that assets are tagged to identify them as district assets. In addition, the Board will ensure that periodic physical inventories are performed.

**HISTORY ORGANIZATION AND
STATISTICAL INFORMATION**

EBENEZER FIRE PROTECTION DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Ebenezer Fire Protection District is located in Greene County. The district was organized in 1991 pursuant to Chapter 321, RSMo, and is a volunteer district. The district covers approximately 97 square miles, and has two fire stations.

An elected board acts as the policy-making body for the district's operations. The board's three members serve 6-year terms with compensation. During the year ended December 31, 2005 only one board member accepted compensation. Members of the board during the year ended December 31, 2005, were:

| Fire District Board | Dates of Service During the Year Ended December 31, 2005 | Compensation Paid for the Year Ended December 31, 2005 |
|-------------------------------|--|--|
| Roscoe Edwards, President (1) | January-December | \$ 0 |
| Robert Jacobs, Board Member | January-December | 0 |
| Tim Butler, Board Member (2) | January-December | 1,300 |

(1) Roscoe Edwards resigned in January 2006 and Robert Heydenreich was appointed by the Board. Leonard Smith was elected to the board in April 2006.

(2) Tim Butler resigned in March 2006 and Nelson Prewitt was appointed by the Greene County Circuit Court.

| Other Principal Officials | Dates of Service During the Year Ended December 31, 2005 | Compensation Paid for the Year Ended December 31, 2005 |
|------------------------------------|--|--|
| Vincent Edwards, Fire Chief (1) | January-December | \$ 39,567 |
| Connie Murphy, Asst Fire Chief (2) | January-December | 0 |
| Mike Stoke, District Engineer | January-July (3) | 19,900 |
| Teri Arnott, District Secretary | January-December | 0 |

(1) Vincent Edward's employment was terminated in March 2006, and Board Member Robert Heydenreich became acting fire chief without compensation. In April 2006 Board Member Leonard Smith became acting fire chief without compensation.

(2) Connie Murphy terminated this position in March 2006, and the position is currently open.

(3) The Fire Protection District has not employed a District Engineer since July 2005.

The district's assistant fire chief and part-time secretary are volunteer positions. At December 31, 2005, the district had approximately 20 volunteer firefighters.

Assessed valuations and tax rates for 2005 and 2004 were as follows:

| ASSESSED VALUATIONS | <u>2005</u> | <u>2004</u> |
|--|-------------------|-------------------|
| Real estate | \$ 71,438,185 | \$ 62,958,750 |
| Personal property | <u>19,183,963</u> | <u>16,977,138</u> |
| Total | <u>90,622,148</u> | <u>79,935,888</u> |
| | | |
| TAX RATE PER \$100 ASSESSED VALUATION: | | |
| General Fund | \$ 0.2783 | \$ 0.2933 |

In December 2003 the District entered into a line of credit loan, with a maximum credit line of \$200,000, at a fixed rate of 6 percent for the construction of a new fire station. The district has renewed the loan annually, and the balance on July 1, 2006 was \$128,000.