



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

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October 26, 2010

Mark Marshall, Mayor
Town of LaGrange
200 C Street
LaGrange, WY 82221

We are issuing this audit report pursuant to the requirements of Wyoming Statutes 9-1-507. This statute authorizes the Department of Audit to audit towns. The town submits census reports providing financial information to the Department of Audit each fiscal year in accordance with Wyoming Statute 9-1-507 (a) (vii).

Objective. The objective of our audit was to determine the Town of LaGrange was in compliance with Wyoming State Statutes, and verify the accuracy of the census report.

Scope and Methodology. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit was from July 1, 2008 to June 30, 2009 including the census report for the most recent completed fiscal year. We interviewed the mayor, clerk/treasurer, and a council member from the Town of LaGrange.

The following list of tests was performed during the performance of the audit:

- Comparison of the census report revenues to distributions reported by the State of Wyoming and County Treasurer
- Traced selected other revenues reported in the census report from receipting to deposit in the bank
- Traced selected expenditures reported in the census report to supporting documentation and approval by the town council
- Performed bank reconciliation and verification
- Reviewed utilities for accuracy in billing and collecting and determined if they are self supporting
- Reviewed the internal controls and computer controls

Based on the procedures identified above, possible violations of the Constitution or State Statute, were identified. These violations and additional findings are presented in the accompanying summary of findings and recommendations.

This report is intended solely for the use of the specified users listed below; however, this report is a matter of public record and its distribution is not limited.

Public Funds

cc: Governor's Planning Office
County Clerk

FINDINGS AND RECOMMENDATIONS

The following details the written findings and recommendations identified during the audit.

Finding 1. The Town of LaGrange does not have adequate internal controls:

The following are areas identified as "Needs Improvement":

- The council does not review unopened bank statements for the Town;
- The Town has a fixed asset listing, but does not update it on a regular basis;
- The Town does not have a written policy regarding overtime of employees;
- Clerk/Treasurer does all aspects of the bookkeeping resulting in a lack of segregation of duties;
- There is a desk manual for the Town. However, it does not go into detail on how to perform all of the financial recording and recordkeeping that the Clerk/Treasurer is currently performing;
- The town does have a list of official depositories, but they have not updated or even reviewed the official list in a long time;
- Not all expenditures could be traced to approved council minutes;
- There is not a utility deposit requirement for the Town;
- There were 4 checks outstanding that were greater than 6 months old.
- Unable to trace the bank balance to the monthly report. The balance provided was dated the day the council meeting was held, not the end of the month; and
- The town does not annually approve the depository account;

Computer/Software internal controls

- There are only a few people in the office who understand the accounting software;
- There is no review process regarding computer data entry onto the town's accounting ;
- Users are not required to have a unique logon password to gain access;
- The password is not required to be changed periodically;
- The password is not internally encrypted;
- The workstation does not automatically disable after 3-6 cumulative unsuccessful login attempts;
- The system does not logoff after a short period of inactivity;
- The computer does not require any format that inhibits the use of easy-to-guess passwords;
- There is no offsite storage for any of the backed up data;
- Backups are not being performed daily; and
- Backups are not being tested to ensure they are being backed up properly.

Recommendation:

- Adequate internal controls need to be developed and observed to help provide an effective and efficient operation of the town government. The Town of LaGrange should review the findings listed above and develop an action plan to address/enforce them.
- Computer passwords need to be unique and periodically changed. Back-ups for the computer should be kept off site as well as on site. The data entry into the town's computer system should be reviewed/checked as a quality control, as well as accounting entries used for the monthly reconciliations.
- The mayor and council need to be active in the town operations and provide the oversight needed to accomplish a satisfactory level of internal controls and separation of duties. A good segregation of duties tries to separate certain accounting functions. Ideally, the

individual who receives cash should be different from the person who makes the deposit, and would be different from the person that opens and reconciles the bank statements. The Town of LaGrange may want to consider having another employee or elected official to make the deposits, and the town council will want to examine and observe a monthly reconciliation to the bank statement.

- Make sure to create a written document that describes the daily activities and duties of the clerk/treasurer, in case of succession and in case of days of absence. This will ensure daily function of the town is not interrupted or stalled.
- The Town should update the current fixed asset listing and make sure to keep current with town changes.
- The Town should review approved depositories on a yearly basis to assure that the depositories are in compliance with statute.
- The Town should research the idea of implementing a required deposit for the use of utilities provided by the town.
- Any outstanding checks should be researched and turned over with the Wyoming Unclaimed Property Office if deemed necessary. (W.S. 34-24-113)

Finding 2. APPARENT VIOLATION OF LAW. Payroll forms are not kept current as required by U.S. Department of Justice and the Internal Revenue Service (IRS).

The Town did not have complete and accurate records of their employees. There were missing and incomplete I-9s.

Recommendation: Payroll files should be updated/kept current as required by federal guidelines.

Finding 3. APPARENT VIOLATION OF LAW. WS 15-1-125(a) and Constitution Article 16 Section 7 states, "All claims and demands against any city or town shall be presented to the governing body by itemized invoice or other document from the vendor with a full account of the quantity and total cost for each item or for the services rendered. No payment shall be approved by the governing body unless the claim is certified under penalty of perjury by the vendor or by an authorized person employed by the city or town receiving the items or for whom the services were rendered..."

The town does not use perjury statements on their vouchers. Not all credit card statements contained adequate documentation for purchase made with the card. During testing, it was noted that one of the expenditures did not contain an attached invoice.

Recommendation: All vouchers must contain a perjury statement and this statement must be signed by an authorized employee of the town or by the vendor. All claims against the city must have the adequate supporting documentation.

Finding 4.. APPARENT VIOLATION OF LAW. W.S. 15-7-508 (a) states, “Any city or town borrowing money or receiving grants and improving, constructing or acquiring and improving a sewerage system, shall collect a charge from the users of the system at a rate sufficient to:

- (i) Pay the cost of operating and maintaining the system;
- (ii) Provide an adequate depreciation fund;
- (iii) Pay the principal and interest on the bonds issued; and
- (iv) Repay grants.

The Town’s water fund does not adequately support the sewer expense as required by town ordinance and state statute.

Recommendation: The town must create and maintain an adequate depreciation fund as required by law for the sewer fund. As a matter of good business practice, the water fund should also include a depreciation/reserve fund. The governing body should take steps to allow for the sewer utility to be individually self-supported as per town ordinance and state statute.

Finding 5. APPARENT VIOLATION OF LAW. Wyoming Constitution Article 16, Section 6 states, in part, “Neither the state nor any county, city, township, town, school district, or any other political subdivision, shall loan or give its credit or make donations to or in aid of any individual, association or corporation, except for necessary support of the poor...”

As of 6/30/09 there were two town employees with outstanding utility balances. Both balances were immaterial and not excessive, and were received within the past 60 days.

Recommendation: The town should enforce the requirements of their utility rules that have been set up by their ordinances. This would include all employees and its citizens paying utilities to the Town.

Finding 6. APPARENT VIOLATION OF LAW. W.S.-15-2-201(a) states, “...The ordinance shall specify the objects and purposes for which the appropriations are made and the amount appropriated for each object or purpose. No further appropriation may be made at any other time within the fiscal year, except as provided in W.S. 16-4-112 through 16-4-114. The total amount appropriated shall not exceed the probable amount of revenue that will be collected during the fiscal year.”

Per comparison of the actual expenditures to the approved budgeted amount, the budget was over expended by \$795,783. This resulted from grants and other special purpose projects never being budgeted in the approved budget that was provided on QuickBooks.

Recommendation: All revenues and expenditures budgeted must be approved by the Town council and they must be advertised per statute requirements. Any unanticipated revenues must be included in an amended budget that is also approved in the same steps as the original budget.

Finding 7. Audit results show deficiencies in the Town’s payroll:

Wages were underreported on the 941, thus Medicare and Social Security were calculated as lower than they should have been.

Recommendation: Payroll taxes must be reported correctly. Better segregation of duty practices will ensure proper reporting. Involving the council and mayor in the review and recalculation of the payroll taxes will allow any discrepancies to be resolved and correctly reported.

Town of LaGrange

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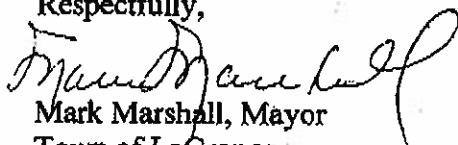
March 1, 2011

In regards to: Findings of Audit Performed

Dear Mr. Ruckman,

Per your request I am writing a letter in regards to the audit performed in November 2010 at the Town of LaGrange. The audit was in the scope of July 1, 2008 to June 30th 2009. The Town Council has scheduled a work session to go over the findings and intend on replying to the findings at that time. In briefly looking at the findings, there are some that we agree with and some that we do not. Therefore, we feel that it is important to consider and address every finding. We will address all of these in our next letter. Thank you for your time and I apologize for taking so long with our response.

Respectfully,


Mark Marshall, Mayor
Town of LaGrange