



STATE OF WYOMING
DEPARTMENT OF AUDIT

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PUBLIC FUNDS DIVISION
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April 3, 2013

Town Council
c/o Mayor Don Larson
Town of Kirby
114 N. Bryan
Kirby, WY 82430

Dear Mayor Larson:

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 the Annual City and Town Financial Report (Census Report) 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 Kirby was in compliance with Wyoming Statutes as they relate to our objectives 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, 2011 to June 30, 2012 including the census report for that period. We interviewed the mayor and the clerk/treasurer from the Town of Kirby. The following list of tests was performed during the performance of the audit.

- Compared census report revenues to State of Wyoming and County Treasurer distribution reports
- Traced selected other revenues in the census report from receipting to bank deposits
- Traced selected expenditures in the census report to supporting documentation and town council approval
- Performed bank reconciliation and verification
- Reviewed utilities for accuracy in billing and collecting and are self-supporting
- Reviewed the internal controls and computer controls

Based on the procedures identified above, a few apparent violations of the Constitution and Wyoming Statutes 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 town and other specified users listed below; however, this report is a matter of public record and its distribution is not limited.

Public Funds

cc: Governor's Office
County Clerk

EXECUTIVE SUMMARY

This audit focused on Wyoming Statutes and how the Town of Kirby complied with them. The audit also determined the accuracy of the census report by reviewing supporting documentation. The areas specifically focused on were:

1. Accuracy
 - Cash and Investments
 - Revenues
 - Expenditures
 - Utilities
2. Compliance
 - Compliance with selected Wyoming Statutes
 - Other compliance

The areas which contributed to the majority of the problems and a short description of the problems are below.

Accuracy

The town of Kirby has been accurate in its reporting. Reported cash, expenditures, revenues, and utilities all appear to match the records kept by the clerk.

Compliance

There are a few issues the town needs to improve upon to properly safeguard public funds. Amongst these is for the council to develop and maintain written policies relating to accounting, investments, information technology, and disaster recovery. The town council needs to become more involved with its role as oversight over the operations of the town, which would include understanding and taking action based upon the financial reports presented before the council. This also would include enforcement over collections from utilities.

For more detail on the areas audited, refer to each specific section in the rest of the report.

Town of Kirby

The overall fiscal responsibility and accountability for the Town of Kirby rests with the governing body. Specifically, W.S. 15-1-108(a)(i-iii) provides the powers and duties of the mayor to “(i) Preside at all meetings of the governing body, and in his/her absence a councilmen shall be appointed to act as mayor pro tem; (ii) Have superintending control of all officers and affairs of the city or town; (iii) Take care that the ordinances and laws are complied with.”

CASH AND INVESTMENTS

Criteria: W.S. 9-4-817 through 9-4-831, W.S. 15-2-203, W.S. 38-2-101

Objective: Determine if depositories and investments are legally acceptable.

Condition/Cause/Effect:

The depositories and investments are legally acceptable.

Objective: Determine if cash and investments reported in the annual report are accurate and consistent with bank statements.

Condition/Cause/Effect:

Cash and investments reported in the annual report are accurate and consistent with the balances reported by the depositories of the town. The audit found the town clerk has begun doing reconciliations with the bank statements, and there were several “uncleared transactions” and undeposited funds from several years ago. Uncleared transactions are potentially troublesome and the town council is not properly examining the reconciliations for items that are more than several months old.

Objective: Determine if the processes in place have any potential weaknesses which might prevent the safeguarding of cash and investments.

Condition/Cause/Effect:

There are a few weaknesses which might prevent the safeguarding of cash and investments. First, the town does not have a written accounting or investment policy. Kirby also does not have any written procedures on how to handle petty cash. Finally, the town does not have a surety bond for everyone who has access to the town’s checking and investment accounts.

Recommendations:

The town needs to establish written accounting policies, investment policies, and policies over petty cash. Finally, the town council needs to closely examine bank reconciliations prepared by the town clerk for undeposited funds and uncleared checks.

REVENUES

Criteria: W.S. 9-1-507, 15-1-112, 15-2-203, 16-4-201

Objective: Determine if revenues are recorded, reported, and deposited at the correct amount.

Condition/Cause/Effect:

The Town of Kirby's revenues are recorded, reported, and deposited at the correct amount.

Objective: Determine if the processes in place have any potential weaknesses which might prevent the safeguarding of revenues.

Condition/Cause/Effect:

The Town of Kirby's processes do have potential weaknesses that could prevent the safeguarding of revenues. There was a weakness found in the control environment and information and communication as the Town does not have a written accounting policy.

Recommendations:

It is recommended the Town document their accounting process and formally adopt it as their accounting policy. This will ensure accounting procedures are consistent. An official accounting policy also helps accuracy and consistency during council member transitions.

EXPENDITURES

Criteria: W.S. 9-3-427, 15-1-113, 15-1-125; Wyoming Constitution Article 16, Section 7;
Title 8 CFR 274a

Objective: Determine if all expenditures reported on the census report are accurate and authorized.

Condition/Cause/Effect:

The expenditures reported on the census report are authorized. Sampled expenditures are not accurate. The payroll liabilities were overstated by \$6,537.25. The Clerk/Treasurer incorrectly debited the payroll expense account when conducting monthly payroll rather than debit the liability account. It was also found the wrong expense account was debited when the Town wrote the check to the Wyoming Dept. of Employment for workers compensation. These matters had not been detected during the monthly Town council meetings when the balance sheet had been presented, which demonstrates a weakness in monitoring.

Another weakness identified is related to a lack of policies. No written accounting policy, including a credit/debit card policy, has been adopted. Not having such a policy opens the Town to unnecessary risk.

Following fieldwork, the town of Kirby identified issues with credit card expenditures. Those concerns are currently being examined and will be addressed separately.

Objective: Determine if payroll records are in compliance with state and federal statutes.

Condition/Cause/Effect:

The Town's payroll records are not in compliance with federal statutes. Although the Town has complete employee records in regards to IRS forms W-4 and I-9, the council members are incorrectly using IRS form 1099. Therefore, the Town has not been withholding FICA for Town council members. The Town was under the understanding council members are independent contractors and are to file IRS form 1099.

Recommendations:

It is recommended the Town determine the correct method to handle Town council members and document the process into a policy handbook. This will ensure that during council transitions new employees are completing the correct federal and state forms. It is also recommended the Town formally adopt an accounting policy to include a credit and debit card policy. Finally, to improve their ability to monitor, the Town council should gain an understanding of the reports presented by the Town clerk.

UTILITIES

Criteria: W.S. 15-1-128, 15-7-407, 15-7-507, 15-7-508, 34-24-113;
Wyoming Constitution Article 16, Section 6

Objective: Determine if utility charges are billed and collected accurately and sufficiently in accordance with state and entity requirements.

Condition/Cause/Effect:

The Town of Kirby is accurate in its assessment of utility charges. However, its collections are not in compliance with state statutes. The audit found that over \$3,294 or 35% of the amount owed to the town for utilities was past 90 days overdue. These past due accounts could be construed as the town giving loans to individuals. Currently, the town council does not receive a report of utility billings and collections. Finally, the Town of Kirby has established an ordinance detailing measures to be taken when accounts are past due, including the assessment of interest and penalties, and shutting off water; however, these measures are not being implemented.

Recommendations:

The town council of Kirby should review its utility ordinance, and determine if the ordinance provides appropriate collections guidance for the clerk to follow. The town clerk and water commissioner should then enforce the ordinance to minimize the amount owed to the town. Then, the town council needs to follow up and make sure that collections are timely.

OTHER COMPLIANCE

Criteria: W.S. 15-1-105, 15-1-110, 15-1-112, 15-1-116, 15-1-127, 15-2-201, 15-2-203, 15-2-204
16-2-102, 16-4-202 through 16-4-205, 16-4-401 through 16-4-407, 16-5-106

Wyoming Constitution Article 16, Section 6

Objective: Determine if there are other controls in place to prevent errors or deceptions.

Condition/Cause/Effect:

There are insufficient controls in place to prevent errors and deceptions. As mentioned above, not having a written accounting policy that is reviewed and updated is a weakness that can lead to errors in the future. The mayor and clerk are not signing a copy of the minutes, nor is a hardcopy being kept as an official record, which would be able to serve as validation that no one had tampered with the minutes. In addition, the town council is not effectively monitoring the operations of the town. For instance, bank statements need to be checked for unauthorized vendors, unauthorized transactions, and unauthorized signatures on checks.

Objective: Determine if the policies and procedures, in place, concerning general information technology (IT) controls have potential weaknesses.

Condition/Cause/Effect:

The information technology (IT) controls in place have potential weaknesses. Currently, there is no written IT procedures manual for the Town of Kirby. While the town does have off site data backup and storage, there is no written IT disaster recovery plan. This problem is compounded by the fact that only the town clerk has the knowledge of what to do in case of data loss or other catastrophic event. Also, in the event of the long term absence of the clerk, there is no one familiar with the computer operations to keep the town running. The clerk also does not change passwords on a regular basis.

Objective: Determine if the entity is publishing or posting what is required by state statute.

Condition/Cause/Effect:

The town is posting most items as required by statute, including minutes, reports, and announcements. However, the town does not post its wage information or the positions of administrative officers, department heads, and elected officials as required.

Objective: Determine if the budgeting process used by the entity is in accordance with state statutes.

Condition/Cause/Effect:

Kirby is not using the budgeting process in accordance with State Statutes. Even though the total budget has not been exceeded, the town of Kirby has exceeded its budget in the year audited in several line items. Budgets allow the council to monitor the town's spending of money. However, the town did not amend the budget when specific items proved to be insufficient in amount. This is also an indication the council was not monitoring its spending. In addition, the town uses a resolution instead of an ordinance to pass their budget. The town also neglected to send a copy of the budget hearing notice to the Department of Audit.

Recommendations:

The town needs to develop a written accounting policy, IT policy, and a disaster recovery plan so that if the clerk were to have a long term absence, the town is able to continue operations. The IT policy should include changing the passwords at least every three months. The town clerk needs to make sure she posts everything state statute requires. In addition, the town council should adopt

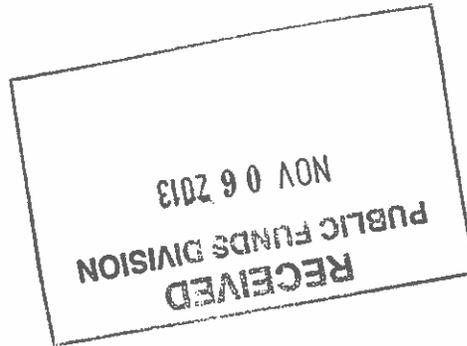
their budget as an ordinance, and amend their budget as necessary. Finally, the council needs to better monitor the operations of the town, gain the necessary knowledge in order to analyze financial reports, and follow up to ensure the town is in compliance with state statutes and minimizing risks to the town.

Prior Audit Findings

The Town of Kirby has made several improvements based upon the findings from the audit conducted for the 2009 fiscal year. However, there are still a few issues that the town has failed to correct. First, the town needs to address its internal controls, and make sure that they seek ways to reduce risk to public funds. The clerk also needs to make sure that everything is publically posted, including wage and position information. Finally, the town needs to ensure that they complete the Form F-66 and submit it to the Department of Audit on time.

TOWN OF KIRBY

114 N. Bryan St.
Kirby, Wyoming 82430
Tel (307) 864-4030
Fax (307) 864-4030



OCTOBER 28, 2013

State Of Wyoming
Department of Audit
Public Funds Division
Attn: Richard Q. Cummings, CFE

The Town of Kirby's elective body appreciates the time and hard work that was put into the audit that was conducted in March and September of this year's audit. In response to your audit for the Town of Kirby, the following actions will be taken by the Town of Kirby's council and employees.

The Town of Kirby's council has hired the accounting firm of Stine Buss Wolff & Wilson out of Worland to audit all financial records and develop a written accounting, investment, IT policies and a disaster recovery plan. These policies will be formerly adopted as the Town of Kirby's policies by ordinance. The Mayor has eliminated the petty cash fund and all credit cards associated with the Town of Kirby.

The town's council will be instructed on how to examine bank reconciliations for undeposited funds and uncleared checks in the financial reports presented by the town clerk/treasurer. The town's council will review its utility ordinances and determine if the ordinance provides appropriate utility guidance for the town clerk to follow. The town council will be advised of any collections that are overdue at each monthly town council meeting. The Mayor will ensure that the town clerk and water commissioner are enforcing the utility ordinance to minimize the amount owed to the town.

The town clerk has been instructed to change all passwords at least every 3 months. The town clerk has also been instructed to publically post the wage and position information of all town employees and elected officials along with all public monthly meeting information. The town council will adopt the town budget by ordinance and amend as necessary during the fiscal year.

The town clerk has been instructed to submit on time the state form F-66 to the Department of Audit by 30 September, of each year. All employee and town council personal files will be updated with the correct federal and state forms. The town council members will receive a W-2 form at the end of the calendar year instead of a 1099 form.

Sincerely,

A handwritten signature in cursive script that reads "Don Larson".

Mayor Don Larson

TOWN OF KIRBY