



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE June 4, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Westory Fire Agency for the year ended June 30, 2003.

The Agency had total receipts of \$167,541 during the year ended June 30, 2003. The receipts included township and city contributions of \$111,811 and federal grants of \$54,720.

Disbursements totaled \$101,830 for the year ended June 30, 2003, and included \$60,938 for equipment and \$10,023 for maintenance and repair.

The report contains recommendations to the Agency to review operating procedures to obtain the maximum internal control possible and to establish procedures to issue prenumbered receipts. The Agency has responded favorably to the recommendations.

A copy of the audit report is available for review in the Office of Auditor of State and at the Westory Fire Agency.

###

WESTORY FIRE AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statement:	<u>Exhibit</u>
Statement of Cash Transactions - Operating Fund	A 8
Notes to Financial Statement	9-10
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	11-12
Schedule of Findings	13-17
Staff	18

Westory Fire Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gary Walter	Chairperson	City of Kelly
Bob Finch	Member	Washington Township
Lisa Heddens	Member	Franklin Township
Troy Buchman	Member	City of Gilbert
Jerry Deters	Member	At Large

Westory Fire Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Westory Fire Agency:

We have audited the accompanying financial statement, listed as an exhibit in the table of contents of this report, of the Westory Fire Agency as of and for the year ended June 30, 2003. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of the cash transactions of the Westory Fire Agency as of and for the year ended June 30, 2003 on the basis of accounting described in note 1.

As discussed in note 4, Westory Fire Agency intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Agency's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Agency's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2004 on our consideration of the Westory Fire Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2004

Westory Fire Agency

Financial Statement

Exhibit A

Westory Fire Agency
Statement of Cash Transactions – Operating Fund
Year ended June 30, 2003

Receipts:	
Township contributions	\$ 93,859
City contributions	17,952
Interest on investments	216
Federal grant	54,720
Miscellaneous	794
Total receipts	<u>167,541</u>
Disbursements:	
Training	6,679
Equipment	60,938
Maintenance and repair	10,023
Utilities	5,443
Insurance	8,132
Medical	4,346
Fuel	3,084
Supplies	522
Professional services	500
Uniforms	744
Miscellaneous	1,419
Total disbursements	<u>101,830</u>
Excess of receipts over disbursements	65,711
Balance beginning of year	<u>110,160</u>
Balance end of year	<u>\$ 175,871</u>

See notes to financial statement.

Westory Fire Agency

Notes to Financial Statement

June 30, 2003

(1) Summary of Significant Accounting Policies

The Westory Fire Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to save life and property from fire and render aid wherever possible in the event of an emergency in the community on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the two member townships, one representative from each of the two member cities and one at large member appointed by the other members. The Agency members are representatives of the Trustees for Franklin and Washington Townships of Story County and the City Councils of the Cities of Kelly and Gilbert.

A. Reporting Entity

For financial reporting purposes, the Westory Fire Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Accounting

The Westory Fire Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Risk Management

The Westory Fire Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the Agency’s financial statements in the year of implementation. The revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Agency’s financial activities.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the Westory Fire Agency:

We have audited the financial statement of the Westory Fire Agency as of and for the year ended June 30, 2003, and have issued our report thereon dated March 4, 2004. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Westory Fire Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

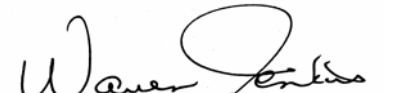
In planning and performing our audit, we considered the Westory Fire Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Westory Fire Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Westory Fire Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Westory Fire Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2004

Westory Fire Agency
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over each of the following areas for the Agency:

- (1) Receipts – posting and deposit preparation.
- (2) Cash – deposit preparation, posting to receipts record and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – Another member is willing to help and will do bank reconciliations and other duties as needed.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments and the money market account. Also, the monthly bank reconciliations were not retained.

Recommendation – To provide better control over financial transactions and overall accountability, the monthly bank reconciliations should include all bank accounts and investments. Also, the monthly bank reconciliations should be retained.

Response – Reconciliation reports will be printed at each reconciliation and will include all accounts.

Conclusion – Response accepted.

- (C) Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals. These manuals should provide the following benefits:

- (1) Aid to training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2003

Recommendation – Office procedures and accounting manuals should be prepared.

Response – The software manual is available and the Treasurer will write a procedure of what is done for Westory Fire Agency.

Conclusion – Response accepted.

- (D) Information Systems – During our review of internal control, the existing control activities in the Agency's computer based system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Agency's computer based systems were noted:

The Agency does not have written policies for:

- password use.
- proper disposal of sensitive data/media.
- backups for personal computer hard drives.
- ensuring only software licensed to the Agency is installed on computers.
- personal use of computer equipment and software.

Also, the Agency does not have a written disaster recovery plan.

Recommendation – The Agency should develop written policies addressing the above items in order to improve the Agency's control over computer based systems. A written disaster recovery plan should be developed.

Response – A zip drive will be purchased to back up Quickbooks. This will also ensure a part of the disaster recovery plan. Policies will be discussed at the next Board meeting concerning passwords, sensitive data, personal use of computer, and software licensed to Westory Fire Agency.

Conclusion – Response accepted.

- (E) Receipts – Prenumbered receipts are not issued at the time of receipt.

Recommendation – Prenumbered receipts should be issued for all collections at the time of receipt to provide additional control over the proper receipt and recording.

Response – A prenumbered receipt book has already been purchased.

Conclusion – Response accepted.

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2003

(F) Unused checks – Unused checks are not properly safeguarded.

Recommendation – Unused checks should be properly safeguarded.

Response – Westory has already purchased a locked, fire-safe box to store checks.

Conclusion – Response accepted.

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has not been approved by the Agency.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Agency.

Response – A resolution will be written to name the bank which Westory Fire Agency uses and to approve maximum deposit amounts.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid for</u>	<u>Purpose</u>	<u>Amount</u>
Meat for picnic	Appreciation Supper	\$ 243
Meals at the Open Flame	Appreciation Supper	816
Reimbursement to member	Appreciation Supper	96
Meals at the Broiler	Appreciation Supper	<u>713</u>
Total		<u>\$ 1,868</u>

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Agency should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including the requirement for proper documentation.

Response – Each appreciation supper will have a motion and a second at the Board meeting preceding the appreciation supper.

Conclusion – Response acknowledged. The motion should also include documentation of the public purpose served by the appreciation supper.

- (3) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

Westory Fire Agency

Schedule of Findings

Year ended June 30, 2003

- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

However, proper public notice was not given before meetings as required by Chapter 21.4 of the Code of Iowa. Also, the minutes of the meetings were not signed.

Recommendation – The Agency should ensure proper public notice is given for all meetings. Also, the minutes should be signed to authenticate the record.

Response – Notices will be posted before each meeting and minutes posted after each meeting. These will be placed on the Fire Station bulletin board and at each Post Office. Also, the Board minutes will be signed following approval at the subsequent meeting.

Conclusion – Response accepted.

- (5) Deposits and Investments – The Agency has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Agency should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – An investment policy will be written.

Conclusion – Response accepted.

- (6) Electronic Record Retention – Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Agency should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The bank will be contacted concerning receiving the back of cancelled checks.

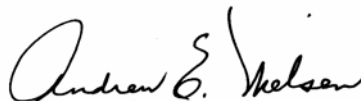
Conclusion – Response accepted.

Westory Fire Agency

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Gina L. Cunningham, CPA, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State