



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

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NEWS RELEASE

FOR RELEASE _____ April 4, 2016 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the Guthrie Center Fire Fighters Association for the year ended December 31, 2014.

The Guthrie Center Fire Fighters Association was formed in 2002 under the provisions of Chapter 504A of the Code of Iowa, the Iowa Nonprofit Corporation Act, to assist the Guthrie Center Fire Department in the execution and performance of its responsibilities to the citizens in and around Guthrie Center, Iowa.

The Guthrie Center Fire Fighters Association had total receipts of \$63,431 for the year ended December 31, 2014. The receipts included \$40,261 from special events and fundraisers, \$10,161 from donations, \$10,471 from insurance proceeds, \$120 from interest on investments and \$2,418 from miscellaneous receipts.

Disbursements for the year totaled \$57,711, and included \$16,191 for fundraising, \$13,560 for maintenance and supplies and \$11,275 for administration.

A copy of the audit report is available for review at the Guthrie Center Fire Fighters Association's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1533-0365-B000.pdf>.

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GUTHRIE CENTER FIRE FIGHTERS ASSOCIATION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

December 31, 2014

Table of Contents

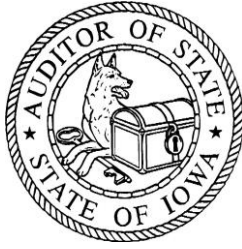
	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 7
Notes to Financial Statement	8-9
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>	11-12
Schedule of Findings	13-18
Staff	19

Guthrie Center Fire Fighters Association

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Monte Jorgensen	Chair	Jan 2016
Dave Embleton	Director/Chief	Jan 2016
Randy Sheeder	Director	Jan 2016
Jesse Swensen	Director	Jan 2016
Tom Langgaard	Secretary/Treasurer	Jan 2016
Jeff Bump	Attorney	Indefinite

Guthrie Center Fire Fighters Association



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Independent Auditor's Report

To the Members of the Guthrie Center Fire Fighters Association:

Report on the Financial Statement

We have audited the accompanying financial statement of the Guthrie Center Fire Fighters Association, as of and for the year ended December 31, 2014, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Guthrie Center Fire Fighters Association as of December 31, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.


Basis of Accounting

As discussed in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2016 on our consideration of the Guthrie Center Fire Fighters Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Guthrie Center Fire Fighters Association's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2016

Guthrie Center Fire Fighters Association

Statement of Cash Receipts, Disbursements and
Change in Cash Balance

As of and for the year ended December 31, 2014

Operating receipts:	
Special events and fundraisers	\$ 40,261
Donations	10,161
Miscellaneous	2,418
Total operating receipts	<u>52,840</u>
Operating disbursements:	
Administration	11,275
Equipment	7,665
Clothing	6,462
Maintenance and supplies	13,560
Education	2,558
Fundraising	16,191
Total operating disbursements	<u>57,711</u>
Deficiency of operating receipts under operating disbursements	<u>(4,871)</u>
Non-operating receipts:	
Interest on investments	120
Insurance reimbursement	10,471
Total non-operating receipts	<u>10,591</u>
Change in cash balance	5,720
Cash balance beginning of year, as restated	<u>144,358</u>
Cash balance end of year - restricted	<u>\$ 150,078</u>

See notes to financial statement.

Guthrie Center Fire Fighters Association

Notes to Financial Statement

December 31, 2014

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Guthrie Center Fire Fighters Association (Association), Guthrie County, Iowa, is a component unit of the City of Guthrie Center, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Association was formed in 2002 under the provisions of Chapter 504A of the Code of Iowa, the Iowa Non-Profit Corporation Act. The purpose of the Association is assist the Guthrie Center Fire Department in the execution and performance of its responsibilities to the citizens in and around Guthrie Center, Iowa.

The governing body of the Association is comprised of and is administered by a Chair, a Secretary/Treasurer and three Directors elected annually by the members of the Association.

B. Fund Accounting

The Association accounts for all resources over which it has discretionary control to use in carrying out the operations of the organization in accordance with the limitations of its charter and bylaws.

C. Basis of Accounting

The Association maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Association 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 financial position and results of operations of the Association in accordance with U.S. generally accepted accounting principles.

D. Basis of Presentation

The cash balance, receipts and disbursements are classified based on the existence or absence of donor restrictions.

(2) Cash

The Association's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance at the maximum amount allowed.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Risk Management

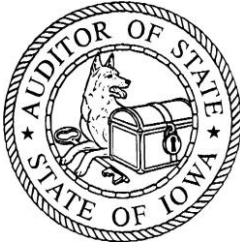
The Association is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in the calendar year.

(4) Restatement

The beginning cash balance for the Guthrie Center Fire Fighters Association has been restated to exclude a separately maintained City of Guthrie Center Fire Department bank account improperly included in the prior year. The restated beginning cash balance is as follows:

Cash balance December 31, 2013, as previously reported	\$ 278,438
Guthrie Center Fire Department account previously reported in error	<u>(134,080)</u>
Cash balance January 1, 2014, as restated	<u>\$ 144,358</u>

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards**



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on a Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the Guthrie Center
Fire Fighters Association:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Guthrie Center Fire Fighters Association, as of and for the year ended December 31, 2014, and the related Notes to Financial Statement, and have issued our report thereon dated March 4, 2016. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Guthrie Center Fire Fighters Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Guthrie Center Fire Fighters Association's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Guthrie Center Fire Fighters Association's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended December 31, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Association. 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.

The Association's Responses to the Findings


The Guthrie Center Fire Fighters Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Guthrie Center Fire Fighters Association's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Guthrie Center Fire Fighters Association 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2016

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (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. Generally, one individual has control over each of the following areas for the Association.
- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
 - (2) Cash - handling, reconciling and recording.
 - (3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
 - (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (5) Journal entries – preparing and journalizing.
 - (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (7) Computer system – performing all general accounting functions and controlling all data input and output.
 - (8) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Response – A review of our procedures will be done to determine how to obtain the maximum control possible by using the Officers of the Association.

Conclusion – Response accepted.

- (B) Bank Reconciliations – The cash balance in the Association’s general ledger was not reconciled to bank balances throughout the year.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to the general ledger monthly. The bank reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Bank accounts will be reconciled monthly. An Officer, other than the Secretary/Treasurer, will review the bank reconciliations and sign and date the reconciliations to document the review.

Conclusion – Response accepted.

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

- (C) Financial Reporting – During the audit, we identified a City of Guthrie Center bank account which was recorded by the Guthrie Center Fire Fighters Association. The beginning cash balance for the Association was adjusted to exclude this account for reporting purposes.

Recommendation – The Association should implement procedures to ensure only accounts belonging to the Association are recorded and presented in the Association’s financial statement.

Response – The Association will implement procedures to ensure only Association accounts are recorded and presented in the financial statement.

Conclusion – Response accepted.

- (D) Prenumbered Receipts – Prenumbered receipts were not issued for all collections. An independent person does not open the mail and prepare an initial listing of collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money received. An independent person should open the mail and prepare an initial listing of receipts. This listing should be compared to the bank deposits and the accounting records by an independent person.

Response – Prenumbered receipts will be issued for all collections. An initial listing will be prepared by the person opening the mail. An independent person will review the initial listing and compare it to deposits and will sign and date the initial listing to document their review.

Conclusion – Response acknowledged. An independent person should open the mail and prepare an initial listing of receipts.

- (E) Disbursement Approval – Association disbursements are not approved by the Board prior to disbursement. Also, supporting documentation for claims is not cancelled to prevent reuse.

Recommendation – The Association should adopt a written disbursement policy to allow payment of certain bills prior to Board approval. All disbursements should be approved by the Board prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to Board approval, a listing should be provided to the Board at the next meeting for review and approval. In addition, supporting documentation for claims should be cancelled to prevent reuse.

Response – Most bills are pre-approved during Association meetings before ordering and receiving merchandise, then the bills are paid. Other bills will be paid to avoid late fees.

Conclusion – Response acknowledged. Disbursements should be approved by the Board prior to disbursement with the exception of those specifically allowed by policy.

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

- (F) Credit Card – The Association has a credit card for use by employees while on Association business. The Association has not adopted a formal policy to regulate the use of the card and has not established procedures for the proper accounting of credit card charges.

Recommendation - The Association should adopt a formal written policy regulating the use of the Association credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the card and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response - The credit card has been cancelled and destroyed.

Conclusion – Response accepted.

- (G) Computer Systems – During our review of internal control, existing control activities in the Association’s computer systems 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 Association’s computer systems were noted:

The Association does not have comprehensive written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring backups of system information.
- Installing software from a vendor and ensuring only software licensed to the Association is installed on computers.
- Running an anti-virus program on computers.
- Internet usage.
- Personal use of computer equipment and software.

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

Recommendation – The Association should develop written policies addressing the above items in order to improve the Association’s control over its computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site.

Response - Above items will be addressed with the Association, and a plan will be in place as soon as possible.

Conclusion – Response accepted.

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

- (H) Accounting Policies and Procedures Manual – The Association does not have an accounting policies and procedures manual

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

1. Aid in training additional or replacement staff.
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.

Response – An accounting policies and procedures manual will be developed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

Compliance Findings:

- (1) Commingled Funds – Based on our review of the Guthrie Center Fire Fighters Association deposits, we noted 3 of the 42 checks tested, totaling \$11,379, were issued to the Guthrie Center Fire Department. One of the checks was for a fundraiser advertised to the public as a “Guthrie Center Fireman’s” event. The flyer did not specify the proceeds from the fundraiser were for the Association. The Guthrie Center Fire Department is a department of the City of Guthrie Center and, accordingly, checks issued to the Guthrie Center Fire Department are public funds which should be deposited with the City. Sufficient documentation was not readily available to determine if any other receipts collected in the name of the Guthrie Center Fire Department were deposited to the Guthrie Center Fire Fighters Association’s bank account.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.” Checks issued to the Guthrie Center Fire Department are City funds which should be deposited and accounted for by the City in accordance with Section 384.20 of the Code of Iowa. Funds currently held by the Association which were collected in the name of, or for the benefit of, the Guthrie Center Fire Department should be immediately remitted to the City.

Response – We will work with the City to remedy the situation. Advertising for future fund raisers will specify the Guthrie Center Fire Fighters Association as recipients of the fund raising proceeds.

Conclusion – Response accepted.

- (2) Questionable Disbursements – According to the Association’s Articles of Incorporation, the Fire Association was organized for educational and charitable purposes which benefit or support fire prevention education, the study and advancement of the science of fire prevention, protection, suppression and assistance to the Guthrie Center Fire Department. We reviewed disbursements from the Association’s bank account, including available supporting documentation, to determine the propriety of disbursements. We noted certain disbursements for which the purpose of the disbursement may not meet the purpose for which the Association was formed. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Visa	Hotel, registration, camping and golf fees at a Fire Association retreat	\$ 2,140
Hometown Foods	Food for open house	1,336
Redfield Locker	Steak for election meeting night	290

Guthrie Center Fire Fighters Association

Schedule of Findings

Year ended December 31, 2014

Recommendation – The Board should determine and document how these disbursements meet the purpose for which the Association was formed prior to authorizing any further payments.

Response – We will comply with this recommendation.

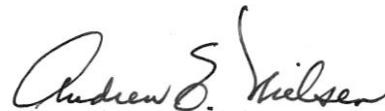
Conclusion – Response accepted.

Guthrie Center Fire Fighters Association

Staff

This audit was performed by:

Tim D. Houlette, CPA, Manager
Trent M. Mussmann, Staff Auditor
Ryan P. Swanson, CPA, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State