



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 15, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2019.

FINANCIAL HIGHLIGHTS:

The Agency's receipts totaled \$ 206,384 for the year ended June 30, 2019, a 4.4% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$185,744, a 21.5% decrease from the prior year. The significant decrease in disbursements is primarily due to making two payments for insurance in fiscal year 2018 and one payment in fiscal year 2019.

AUDIT FINDINGS:

Sand reported seven findings related to the receipt and disbursement of taxpayer and Gilbert Fire Association (Association) funds. They are found on pages 16 through 21 of this report. The findings address issues such as a lack of segregation of duties and lack of a disaster recovery plan. Sand provided the Agency and the Association with recommendations to address each of the findings.

Four of the findings discussed above for the Agency and one for the Association are repeated from the prior year. The Agency Board and Association management have a fiduciary responsibility to provide oversight of the Agency's and the Association's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**GILBERT / FRANKLIN TOWNSHIP FIRE AND
EMERGENCY RESPONSE AGENCY**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2019

Gilbert/Franklin Township Fire and Emergency Response Agency



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May 8, 2020

Officials of the Gilbert/Franklin Township Fire
and Emergency Response Agency
Gilbert, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Gilbert/Franklin Township Fire and Emergency Response Agency for the year ended June 30, 2019. The audit was performed in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Gilbert/Franklin Township Fire and Emergency Response Agency throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

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Gilbert/Franklin Township Fire and Emergency Response Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Art Fleener	Chair	Franklin Township
Frank Rydl	Vice-Chair	City of Gilbert
Cindy Wirth	Treasurer	Franklin Township
Todd Jorgenson	Member	City of Gilbert
Tom Hackett	Member	Franklin Township
Nancy Long	Clerk	



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Independent Auditor's Report

To the Members of the Gilbert/Franklin Township
Fire and Emergency Response Agency:

Report on the Financial Statement

We have audited the accompanying financial statement and the discretely presented component unit of the Gilbert/Franklin Township Fire and Emergency Response Agency as of and for the year ended June 30, 2019, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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 the 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 of 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 judgement, 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 Agency'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 Agency'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

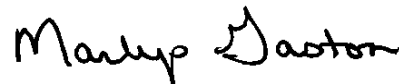
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Gilbert/Franklin Township Fire and Emergency Response Agency and its discretely presented component unit as of June 30, 2019 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the 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 May 8, 2020 on our consideration of the Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over financial reporting and 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 Gilbert/Franklin Township Fire and Emergency Response Agency's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 8, 2020

Gilbert/Franklin Township Fire and Emergency Response Agency

Financial Statement

Gilbert/Franklin Township Fire and Emergency Response Agency

Gilbert/Franklin Township Fire and Emergency Response Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2019

Operating receipts:	
Township contributions	\$ 124,038
City contributions	<u>53,083</u>
Total operating receipts	<u>177,121</u>
Operating disbursements:	
Administration	22,868
Communication	3,145
Maintenance and repair	7,981
Support and recognition	4,276
Station supplies	1,866
Training	1,201
Utilities	9,563
Vehicle operation	<u>7,434</u>
Total operating disbursements	<u>58,334</u>
Excess of operating receipts over operating disbursements	<u>118,787</u>
Non-operating receipts (disbursements):	
Interest on investments	213
Donations	1,200
Rent	9,290
Refunds	198
Grants	18,362
Debt service	(70,800)
Equipment	<u>(56,610)</u>
Total non-operating receipts (disbursements)	<u>(98,147)</u>
Change in cash balance	20,640
Cash balance beginning of year	<u>76,349</u>
Cash balance end of year	<u>\$ 96,989</u>
Cash Basis Fund Balance	
Restricted for debt service	\$ 19,820
Unrestricted	<u>77,169</u>
Total cash basis fund balance	<u>\$ 96,989</u>

See notes to financial statements.

Gilbert/Franklin Township Fire and Emergency Response Agency

Notes to Financial Statement

June 30, 2019

(1) Summary of Significant Accounting Policies

The Gilbert/Franklin Township Fire and Emergency Response Agency was formed in 2011 pursuant to the provisions of Chapter 28E of the Code of Iowa. The parties to the 28E agreement are the City of Gilbert and Franklin Township. 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 three representatives from the member township and two representatives from the member city. The Agency members are Franklin Township of Story County and the City of Gilbert.

A. Reporting Entity

For financial reporting purposes, the Gilbert/Franklin Township Fire and Emergency Response 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 component unit discussed below is included in the Agency's reporting entity because of the significance of its operational or financial relationship with the Agency.

Discretely Presented Component Unit

The Gilbert Firefighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and scientific purposes which benefit or support the Gilbert/Franklin Township Fire and Emergency Response Agency. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the Agency. Condensed financial information of the Foundation is presented in Note 5.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The 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, 2019 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 ensure 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. 72.

(3) Risk Management

The 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 Agency 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) Bond and Note Payable

Annual debt service requirements to maturity for the taxable limited obligation revenue bond and taxable promissory note are as follows:

Year Ending June 30,	USDA Taxable		Midland Power		Total	
	Limited Obligation Bond, Series 2015		Promissory Note			
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 20,217	14,583	36,000	-	56,217	14,583
2021	20,936	13,864	36,000	-	56,936	13,864
2022	21,681	13,119	36,000	-	57,681	13,119
2023	22,452	12,348	36,000	-	58,452	12,348
2024	23,250	11,550	36,000	-	59,250	11,550
2025-2029	129,259	44,741	39,000	-	168,259	44,741
2030-2034	153,940	20,060	-	-	153,940	20,060
2035	34,107	651	-	-	34,107	651
Total	\$ 425,842	130,916	219,000	-	644,842	130,916

Taxable Limited Obligation Revenue Bond

On June 25, 2015, the Agency entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of a \$500,000 taxable limited obligation revenue bond with interest at 3.50% per annum. The bond was issued in parity with the Midland Power Promissory Note. The bond was issued to partially redeem the interim promissory note previously issued to pay the costs of construction of a multi-use facility. The bond is payable solely from the net receipts of the Agency. Principal and interest are payable in 240 equal monthly installments of \$2,900. During the year ended June 30, 2019 the Agency paid principal of \$19,522 and interest of \$15,278 on the bond.

The resolution providing for the issuance of the limited obligation revenue bond includes the following provisions:

- (a) The bond will only be redeemed from the future net receipts of the enterprise activity and the bond holders hold a lien on the future net receipts of the fund.
- (b) Sufficient monthly transfers shall be made to a separate revenue sinking account for the purpose of making principal and interest payments when due.
- (c) Monthly transfers of \$290 shall be made until the required reserve account balance of \$34,800 has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account balance is insufficient.

Midland Power Promissory Note

On June 22, 2015, the Agency entered into an agreement with Midland Power for the issuance of an interest free \$360,000 promissory note. The note was issued in parity with the U.S. Department of Agriculture – Rural Development taxable limited obligation revenue bond. The note was issued to partially redeem the interim promissory note which partially funded the construction costs of a multi-use facility. Principal is payable in 120 equal monthly installments of \$3,000 beginning on August 15, 2015. During the year ended June 30, 2019 the Agency made payments totaling \$36,000.

Bank Loan

On May 22, 2018, the Agency entered into a loan agreement with a local bank for the issuance of a \$35,000 promissory note. The note was issued to purchase self-contained breathing apparatus. The note bears interest at 3.5% per annum and is due in one installment on September 26, 2018. During the year ended June 30, 2019 the Agency made principal and interest payment of \$35,000 and \$444, respectively. The loan is paid in full at June 30, 2019.

(5) Gilbert Franklin Fire Association

The Gilbert Franklin Fire Association is incorporated under the Iowa Nonprofit Corporation act and directly benefits the Gilbert Franklin Fire Department. As permitted by GASB Statement No. 34, the Agency has opted to present condensed financial information for this discretely presented component unit. The following is the condensed financial information for the Association for the year ended June 30, 2019.

Receipts:		
Donations	\$	36,717
Public grants		2,249
Fundraising		23,716
Interest		16
Total operating receipts		<u>62,698</u>
Disbursements:		
Fundraising		39,412
Support of fire department		8,912
Total operating disbursements		<u>48,324</u>
Excess of disbursements over receipts		14,374
Balance beginning of year		<u>30,579</u>
Balance end of year	\$	<u>44,953</u>

(6) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Gilbert/Franklin Township Fire and Emergency Response Agency, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Agency's operations and finances.



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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

To the Members of the Gilbert/Franklin Township
Fire and Emergency Response Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Gilbert/Franklin Township Fire and Emergency Response Agency and its discretely presented component unit as of and for the year ended June 30, 2019, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement, and have issued our report thereon dated May 8, 2020. 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 Gilbert/Franklin Township Fire and Emergency Response Agency'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 Gilbert/Franklin Township Fire and Emergency Response Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gilbert/Franklin Township Fire and Emergency Response Agency'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 Gilbert/Franklin Township Fire and Emergency Response Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) 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 (C) through (E) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gilbert/Franklin Township Fire and Emergency Response Agency's financial statements are 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 Agency's operations for the year ended June 30, 2019 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.

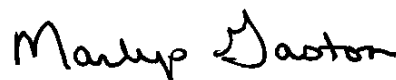
The Gilbert/Franklin Township Fire and Emergency Response Agency's Responses to the Findings

The Gilbert/Franklin Township Fire and Emergency Response Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Gilbert/Franklin Township Fire and Emergency Response Agency'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 Agency'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 Agency'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 Gilbert/Franklin Township Fire and Emergency Response 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 8, 2020

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the Agency's financial statement.

Condition – One individual prepares the bank deposits, records the cash receipts to the cash receipts journal, writes checks and mails signed checks.

Cause – The Agency has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of volunteers. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available volunteers, including Agency officials.

Response – The Agency has a Clerk and a Treasurer. Both individuals review all transactions. The Board of Directors review the monthly reports which include a detail itemization of all income and expenses for the month.

Conclusion – Response acknowledged. The Agency should continue to review its control procedures to obtain the maximum internal control possible, including utilizing current Board of Directors.

(B) Gilbert Firefighters Association

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error of dishonestly and maximizes the accuracy of the Association's financial statement.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2019

Condition – One individual prepares the bank deposits, records the cash receipts to the cash receipts journal, writes checks and prepares bank reconciliations.

Also, Association minutes do not include a detailed listing of expenses for approval.

Cause – The Association has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions.

Policies and procedures have not been established to ensure a detailed listing of expenses are included in the Association minutes for approval.

Effect – Inadequate segregation of duties could adversely affect the Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Lack of policies and procedures may result in increased likelihood of error or misappropriation.

Recommendation – We realize segregation of duties is difficult with a limited number of volunteers. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available volunteers.

Also, a detailed list of expenses should be provided to the Association Board for approval. The list should include check numbers, date of check written and vendor who the check was issued to. The supporting documentation for each check written should also be provided to the reviewer. The reviewer should sign and date the listing to indicate approval.

Response – We will review our control procedures to obtain the maximum internal control possible given the limited volunteers available. We will provide a detailed listing of expenditures which includes check numbers, date of check written, and the vendor who the check was issued to. We will also provide the supporting documentation for the reviewer's approval. Approval will be indicated by the signature of the reviewer and the date of the review.

Conclusion – Response accepted

(C) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

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

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2019

Condition – The Agency does not have an accounting policies and procedures manual.

Cause – Officials have not prioritized an accounting policies and procedures manual.

Effect – Lack of policies and procedures could result in inconsistency of operations and accounting.

Recommendation – An accounting policies and procedures manual should be developed.

Response – This is not required by Iowa Code. The Board will take this recommendation under consideration.

Conclusion – Response acknowledged. An accounting policies and procedures manual should be developed to provide consistency of operations and in accounting.

(D) Computer System

Criteria – Properly designed and implemented policies and procedures pertaining to the computer system help ensure the Agency will be able to provide continuity of service and accurate financial records.

Condition – The agency was unable to retrieve the fiscal year 2019 general ledger.

Cause – The agency does not have procedures in place to require the computer system to be backed up on a regular basis.

Effect – The Agency could not recover lost financial information.

Recommendation – The accounting system should be backed up periodically and stored at an off-site location to allow the agency to recover any lost information.

Response – The Agency has upgraded to QuickBooks for their input and transaction history. This system will be backed up on a regular schedule, with a backup file stored at an off-site location.

Conclusion – Response accepted.

(E) Disaster Recovery Plan

Criteria – Properly designed and implemented policies and procedures pertaining to disaster recovery help ensure the Agency will be able to provide continuity of service.

Condition – The Agency does not have a written disaster recovery plan.

Cause – Officials have not prioritized the development of a written disaster recovery plan.

Effect – The Agency may not be able to provide continuity of service.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2019

Response – Though this is not required by Iowa Code, the Board will take this recommendation under consideration.

Conclusion – Response acknowledged. A written disaster recovery plan should be developed and tested periodically.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe many not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza	Purchase of pizza for training	\$ 86

According to the opinion, it is possible for such disbursements 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 Board should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirements for proper public purpose documentation.

Response – This expenditure is directly in support of the men and women that volunteer to serve as firefighters and emergency medical personnel without any compensation to our community. The State of Iowa Auditors office states that they are not able to determine if these expenditures meet the test of serving a public purpose. The Board’s goal is to make sure that we follow the Iowa Code with our expenditures, and we have strived to be in compliance.

Conclusion – Response acknowledged. There are no definitive statutory (i.e., Iowa Code section) guidelines on this type of expenditure. In the absence of clear statutory authority, we look to Article III, section 31, of the Iowa Constitution and court cases/opinions of the Attorney General when considering questionable transactions. The key is “public purpose” and expenditures falling in a “gray” area (i.e. where public purpose is not clear at first blush), must be considered in light of this guidance. Food and/or appreciation dinners fall into this gray area.

If the Board feels public purpose criteria is met, the Board should document this prior to approving the expenditure. Even though the April 25, 1979 AGO does not specifically refer to “policy” the opinion refers to proper motives and “it is the motive for the expenditure that may insulate an officer from criminal liability.” It has been our recommendation to document the “public purpose served” (motive) either through policy or on an individual transaction basis. This in and of itself, does not eliminate the “questionable” nature of the transaction, but it does establish the governing body’s motive and having established policy provides a basis for consistency.

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

Gilbert/Franklin Township Fire and Emergency Response Agency

Schedule of Findings

Year ended June 30, 2019

- (3) Association Minutes – The Association Board Chair does not sign the minutes.

Recommendation – Association should sign the minutes to authenticate the actions taken.

Response – Our board is actually our officers and our registered agent. Our spread sheets are a detailed list of expenses, as is in our minutes. In the future, we will have the president or vice president review and sign our minutes, two months after each meeting (we meet every two months).

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

Gilbert/Franklin Township Fire and Emergency Response Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Malika Moutiq, Staff Auditor