

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2006

Management Advisory Service Report, 2005

West County EMS and Fire Protection District

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

West County EMS and Fire Protection District, "Management Advisory Service Report, 2005" (2006).
UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets. 90.
<https://irl.umsl.edu/cab/90>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.

**WEST COUNTY EMS AND
FIRE PROTECTION DISTRICT**

MANAGEMENT ADVISORY SERVICE REPORT

December 31, 2005

SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

March 10, 2006

To the Members of the Board
of Directors
West County EMS and Fire Protection District

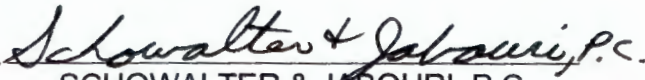
Dear Members of the Board:

In planning and performing our audit of the financial statements of the West County EMS and Fire Protection District (the "District") for the year ended December 31, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. We previously reported on the District's internal control structure in our report dated March 10, 2006. This letter does not affect our report dated March 10, 2006, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.


SCHOWALTER & JABOURI, P.C.

FOLLOW-UP ON PRIOR YEAR COMMENTS

CONTROL THE NUMERICAL SEQUENCE OF CHECKS USED

During the prior year we noted that the check summary to be paid that is given to the board for approval and signature does not appear to be in a format which allows the Board to account for the check number sequence easily. For example, each summary of checks written should agree the first check number to the prior report last check number and there should not be any gaps in the check sequence. If gaps do occur, an explanation should be provided.

We recommend that the check summary report be redesigned to the format noted above to provide better control over the check sequence.

It appears our recommendation has been implemented and this comment no longer applies.

PERMITS AND INSPECTIONS

Previously, we noted that the cash received and posted to the general ledger from permits and inspections is not reconciled to the log of permits issued by the person issuing the permits. During the current year, the system has changed slightly in that permits are all logged into an Access database; however, they are still not reconciled to cash posted in the general ledger. To ensure the accuracy of permits and inspection revenue, the individual keeping track of the permits issued should ensure through a review of the general ledger, that all permit revenue is properly posted upon receipt.

Management's Response: *Reconciling receipts does occur between the office staff and the Fire Marshal. We will separate the receivables specifically for permits on a separate deposit slip and reconcile each deposit against the general ledger.*

BUDGET

During the prior year audit we noted that the District's actual expenditures exceeded the budgeted expenditures in the Dispatch and Ambulance Funds, which is a violation of state statute.

We recommended that the Board closely monitor budget to actual results throughout the year and amend the budget for any events that have occurred that were not anticipated during the budget's original adoption.

The same situation occurred in the current year. After further analysis, it was determined that the reports being used to amend the budget to included transactions that should not have been included based on the basis of accounting the budgets are prepared under.

FOLLOW-UP ON PRIOR YEAR COMMENTS (CONTINUED)

BUDGET (continued)

Management's Response: *The Board oversees, monitors and approves all expenses in all funds. This is performed at each Board meeting when they approve the payables submitted and occurs when they review and approve the Treasurers report for the previous month. They closely monitor actual to budget figures and approve an amended budget for each year.*

FRAUD POLICY AND RISK ASSESSMENT

In the prior year, we recommended that the District address the risk of fraud occurring by performing a risk assessment to identify, analyze, and manage the risk of asset misappropriation.

We continue to recommend that the District consider performing such an assessment. The District may want to begin this process by completing a "Fraud Prevention Check-Up" which can be found on the Association of Certified Fraud Examiners website.

In addition, we recommend that the District adopt a fraud policy. The policy would contain a scope as to persons covered, define what actions constitute fraud, who the suspected fraud should be reported to and the procedures to do so, the responsibilities of the person the suspected fraud is reported to and the effects of the results of the outcome of the investigation into the suspected fraud. A sample fraud policy can be obtained free of charge from the Association of Certified Fraud Examiners (ACFE) at their web site (www.acfe.com).

Management's Response: *Management has and will continue to oversee all disbursements. As we continue to receive very little cash receivables, will continue to monitor this vulnerable area. We continue to review, compare and randomly audit payroll and payables for possible fraud activity.*

SEGREGATION OF DUTIES AND INTERNAL CONTROL

Previously, we discussed the following with regard to internal control:

Internal controls are designed to safeguard assets and help to detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the District's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

FOLLOW-UP ON PRIOR YEAR COMMENTS (CONTINUED)

SEGREGATION OF DUTIES AND INTERNAL CONTROL (continued)

- Mail should be opened by an employee not responsible for accounting. Cash receipts could be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, could be forwarded to the accounting staff for postings to the general ledger.
- Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the District to loss.
- Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should also be mailed without allowing them to be returned to the employees responsible for preparing them.
- Journal entries should be approved by an employee other than the one who prepared the entry.

We continue to recommend that the District consider implementing the above noted items.

Management's Response: *Staffing does not always allow for segregation of duties. Specifically, cash receipts have been deposited within 24 hrs of receipt; furthermore, it has been over two years since receipts were held for up to a week.*

PAYROLL PROCEDURES

Previously, we noted that the employees who process payroll have the capability to make data changes to the payroll processing files. Although each payroll run is independently reviewed, minor changes could be made to the master file and be undetected. There is no report that is run to monitor changes made to master payroll files.

We continue to recommend that the responsibilities for processing payroll and for updating payroll master files be segregated or that a "change report" be reviewed by management each payroll period. This segregation would provide an additional layer of review and of control over the payroll process.

FOLLOW-UP ON PRIOR YEAR COMMENTS (CONTINUED)

PAYROLL PROCEDURES (continued)

Management's Response: *Management reviews and approves each payroll. In addition, the change report for each payroll is reviewed and approved. Audits have been performed randomly comparing the approved payroll for submission and the payroll that arrived for disbursement. This process will continue and management is open to other ways of performing this procedure.*