

Investigative Report

Arkansas Legislative Audit

Review of Selected Transactions Spadra-Goose Camp Water Users' Association

January 1, 2022 through December 31, 2023



INTRODUCTION

This report is issued pursuant to a request from the 5th Judicial District Prosecuting Attorney for Arkansas Legislative Audit (ALA) to review selected financial records of the Spadra-Goose Camp Water Users' Association (Association). Of specific concern were findings noted in agreed-upon procedures and compilation (AUP) reports prepared by a certified public accounting (CPA) firm. These findings included improper disbursements and receipts not being deposited timely.

OBJECTIVES

Objectives of this review were to determine if:

- Water bill collections and water meter deposits were properly deposited in Association bank accounts.
- Disbursements were for proper Association purposes.
- Internal controls over the Association's receipting and disbursement processes were adequate.

SCOPE AND METHODOLOGY

This review was conducted primarily for the period January 1, 2022 through December 31, 2023. Receipts recorded in the Association computer system, bank statements, deposit slips, cancelled check images, and invoices were examined. In addition, reports prepared by the CPA firm were reviewed, certain individuals were interviewed, and internal controls over receipting and disbursement processes were assessed for adequacy.

BACKGROUND

Association Establishment and Operations

The Association is a nonprofit corporation that provides water services to approximately 200 users in a rural area of Johnson County and is governed by a six-member Board of Directors (Board). The Association employs a Bookkeeper and a Water Clerk, who are responsible for collecting, receipting, and depositing Association funds, as well as posting water bill payments to customer accounts in the computer system. The Bookkeeper is also responsible for disbursing Association funds.

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Report Date: March 26, 2024



Previously Issued Report by ALA

The Association’s 2020 AUP report, prepared by a CPA firm, disclosed \$1,930 in improper disbursements that were self-reported by the Bookkeeper. After being notified of the report findings, the 5th Judicial District Prosecuting Attorney requested that ALA review selected Association financial records. Pursuant to this request, ALA issued a report (Report),¹ dated October 19, 2023, that covered the period January 1, 2020 through December 31, 2021, and revealed the following:

- No additional improper disbursements were noted. However, ALA staff noted \$665 in undocumented disbursements, the validity of which could not be determined.
- All receipts appeared to be properly deposited in the Association’s bank account.
- The Association was in compliance with Ark. Code Ann. § 14-234-119, which requires that annual audits or AUP reports be obtained within one year of the fiscal year-end.

Of the \$1,930 in improper disbursements reported by the Bookkeeper, \$1,400 has been repaid, leaving \$530 due the Association as of February 8, 2024.

RESULTS OF REVIEW

Comparison of Receipts with Bank Deposits

ALA staff comparison of receipts with bank deposits, for the period January 1, 2022 through December 31, 2023, revealed the following:

- Cash receipts totaling \$170 were not deposited in Association bank accounts.
- On six occasions, funds were held for several weeks before being deposited, as shown in **Exhibit I**. ALA staff were unable to determine why these daily collections, which totaled \$6,419 (\$3,396 in cash and \$3,023 in checks), were held and not deposited until a later date. The Bookkeeper also could not provide an explanation. It should be noted that the practice of delaying deposits could indicate misuse of funds.

| Exhibit I | | | |
|--|--------------|-------------------|-----------------|
| Spadra-Goose Camp Water Users' Association | | | |
| Receipts Not Deposited Timely | | | |
| January 1, 2022 through December 31, 2023 | | | |
| Receipt Date | Deposit Date | Method of Payment | |
| | | Cash | Check |
| 12/15/2021 | 1/13/2022 | \$ 370 | |
| 4/28/2022 | 5/26/2022 | 363 | \$ 93 |
| 7/15/2022 | 8/16/2022 | 539 | |
| 11/17/2022 | 12/1/2022 | 540 | 368 |
| 12/13/2022 | 11/6/2023 | 826 | 234 |
| 11/14 and 11/15/2023 | 12/7/2023 | 758 | 2,328 |
| Total | | \$ 3,396 | \$ 3,023 |

Source: Association financial records (unaudited by Arkansas Legislative Audit)

¹ Investigative Report – Review of Selected Transactions – Spadra-Goose Camp Water Users’ Association – January 1, 2020 through December 31, 2021 (IROE1421) is available on the ALA website at www.arklegaudit.gov.

In addition, ALA staff conducted a cash count, and all cash, used by the Association as a change fund, was accounted for properly.

Analysis of Selected Disbursements

ALA staff examined credit card charges made by the Bookkeeper and other selected disbursements for the period January 1, 2022 through July 31, 2023. No improper disbursements were noted, and all examined disbursements appeared to be for proper Association purposes.

Analysis of Internal Controls

ALA staff review indicated the following internal control deficiencies over the Association's receipting/depositing processes:

- Receipts were not always reconciled with bank deposits.
- Receipts were not always deposited timely.
- The Board did not provide adequate fiscal oversight.

RECOMMENDATIONS

ALA staff recommend that receipts be deposited timely and reconciled with bank deposits. In addition, the Board should exercise proper fiscal oversight, ensure internal controls are established over the receipting/depositing processes, and monitor controls to ensure adherence.

SUMMARY

ALA comparison of receipts with deposits revealed \$170 in undeposited cash receipts; multiple receipts, totaling \$6,419, that were held for several weeks before being deposited, and internal control deficiencies.

ALA analysis of selected disbursements did not reveal any improper disbursements.

As disclosed in ALA's previous Report, of the \$1,930 in improper disbursements reported by the Bookkeeper, \$1,400 has been repaid, leaving \$530 due the Association as of report date.

This report has been forwarded to the 5th Judicial District Prosecuting Attorney and the Attorney General.

MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

Appendix A
Management Response

March 27, 2024

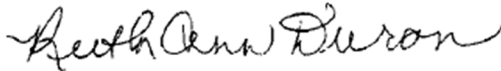
To Whom It May Concern:

Upon completion of the Legislative Audit and the Exit Meeting on March 26, 2024, with Jimmy Loche, Senior Auditor. the following plan to be implemented by the Board to prevent any futher occurrences of the events that were in question was in the Board's agreement..

The Water Board intends to monitor the finances by requiring the bookkeeper to provide completed bank statements at the monthly Board Meeeting so it can varify that all funds had been deposited and in a closer time of being received.

Concerning the use of the wrong credit card by the bookkeeper, she reported that she has paid back all but \$330 of the \$1930 to the O&M account, and the remainder will be paid by the end of April,2024.

We appreciate your concerns in this matter.



Ruth Ann Duran, Secretary

Spadra Goose Camp Water Users Association

