

**DRAFT**  
Sunsites-Pearce Fire District Special Board Meeting  
Minutes (unofficial)  
January 3<sup>rd</sup>, 2013 at 1800 hours  
Sunsites Community Center  
1216 E. Treasure Road, Pearce, AZ 85625

**CALL TO ORDER:** Chairman Lance called the meeting to order at 1801 hrs

**ROLL CALL:** Board Members present were:

- i. Chairman Roger Lance
- ii. Clerk Rebel Jones
- iii. Treasurer Cletus Frei
- iv. Board Member Candace Roll
- v. Board Member Robert Fino

No conflict of interest was stated by any Board Member present.

**PLEDGE OF ALLEGIANCE:** Led by Treasurer Cletus Frei

**CALL TO THE PUBLIC:** Three (3) members of the public spoke:

- 1) Brian Bissonette read a letter to the Board, and presented the Board Clerk with a copy of his letter (see attached).
- 2) Cheryl Pastika directed her question to Boardmember Candace Roll asking why Mrs. Roll had stated at a previous Board Meeting “if not for Chief Paul Petersen and Jill Schultz there would be no Sunsites-Pearce Fire Department.”
- 3) Margaret Rydzak stated her concerns that the proposed forensic audit would cost the Fire District and Taxpayers a lot of money and has little benefit. She went on to say that she did not feel the Board Treasurer should have “full, unrestricted visual access” to Quickbooks as this could potentially create privacy violations as some of the data stored in Quickbooks is regulated under HIPPA laws.

**APPROVAL OF MEETING MINUTES:** Approval of the December 13, 2012 Regular Board Meeting minutes was tabled until the next regular meeting.

**FIRE CHIEF’S REPORT:** given by Chief Paul Petersen (see attached)

**BOARD TREASURER’S REPORT:** given by Board Treasurer Cletus Frei (see attached)

**BOARD CLERK’S REPORT:** given by Board Clerk Rebel Jones (see attached)

**OLD BUSINESS:** none

**NEW BUSINESS:**

1. **Audit Review Presentation:** given by James H. Saunders, CPA

Mr. Saunders started his presentation by giving his education, years of experience and training credentials to the Board. He also explained the different “tiers” in which agencies can be reviewed.

As explained by Mr. Saunders, an audit gives a “reasonable level of assurance” that all accounting/bookkeeping/finances are being correctly presented and kept in accordance with governmental standards. An audit also looks to make sure that internal controls are in place and working; that bank statements, revenues and disbursements agree with records within the District and that all money is accounted for.

Mr. Saunders stated that at the close of the audit, the auditing firm releases an opinion on the overall “quality” of the audit. There are four (4) tiers of opinions:

“Unqualified”-no major issues were found

“Qualified”- certain areas were found to be lacking

“Disclaimed”- the audit was unable to obtain enough sufficient, correct data to issue a conclusion

“Adverse Opinion” – inadequate

Mr. Saunders explained the differences between a Financial Audit, which looks at the overall cash flow of an organization and costs about \$8,000; and a Forensic Audit, which focuses on one specific area, i.e. payroll, and provides enough evidence to be presented in a court of law if fraud is found, cost is \$15,000 +.

Mr. Saunders emphasized that internal control is an integral and important part of maintaining a healthy District, as it decreases the chance for fraud.

The floor was then opened to the Board allowing them to address James H. Saunders with any questions pertaining to the audit.

**Treasurer Frei:** Who had the administrative passwords for the 2010, 2011 and 2012 audits?

**Mr. Saunders:** Lori Tucker, Chief Petersen. I’m not sure who all had the passwords over the last 3 years. Quickbooks only allows one user per license. However, multiple users can be set up by the holder of the administrative password. Read only access can be granted.

**Treasurer Frei:** Do you have access to Quickbooks at the Sunsites-Pearce Fire Department?

**Mr. Saunders:** Not currently. We have no access to the records.

**Treasurer Frei:** Do you know who all currently has access to Quickbooks at the Department?

**Mr. Saunders:** No.

**Treasurer Frei:** The audit for the year ending June 30th 2011 showed some problematic findings which include a fictitious entry in the general ledger of \$123,812.04, a 15% rate of missing invoices, a \$22,000 purchase that was not recorded and an expenditure of \$91,404.33 which was paid by the County Treasurer but had little

or no explanation in the accounting records of the District. Would you say that these documents could be certified?

**Mr. Saunders:** There were 6 deficiencies in 2011, one was payroll, the other in the general ledger. The \$123,000 “fictitious” entry was made in error, but after checking with the County it was accounted for. It is reasonably accurate and can be certified.

**Treasurer Frei:** Have the internal controls that were deficient been addressed and corrected?

**Mr. Saunders:** For 2011 and 2012 the accounting and control laws have been changed.

**Boardmember Fino:** How many years have you done our audit?

**Mr. Saunders:** approximately 20 years, well maybe 15. I think there were a few years someone else did the audit for the department.

**Boardmember Fino:** Is there missing money?

**Mr. Saunders:** No. I do not believe there is missing money. However, collusion, out and out fraud, subversion of revenue or other source can happen. Off the book fraud, such as fraud committed to a fictitious vendor. No accounting system is fool-proof, however your risk is minimal. There are two types of fraud: *de minimis* and excess.

**Boardmember Roll:** Concerning access to Quickbooks, why does the Board Treasurer need that? Isn't personal identifiable information kept on Quickbooks?

**Mr. Saunders:** There are only two Board positions required under ARS Title 48: the Board Chairman and the Board Clerk. The position of Board Treasurer is not mandated by statute. For purposes of billing personal identifiable information can be stored on Quickbooks, in which case HIPPA would govern how this information is stored and to whom it is released.

**Clerk Jones:** There was mention of annexation along Interstate 40, near Kingman. That is a little ways from Sunsites. Why is this in the audit?

**Mr. Saunders:** Sounds like a typo. It is possible that it was under the “Management Discussions and Analysis of Basic Financial Statements” section of the audit. Management is responsible for writing this section and we do not edit it.

**Chairman Lance:** The Board Treasurer is part of Sunsites-Pearce Fire District's Board By-Laws, and is liable for the accuracy of financial statements which allow the District to operate.

**Mr. Saunders:** Board By-Laws may require the position of Board Treasurer but Title 48 does not. Yes, the Board is responsible for the budget, oversight and accountability of how monies are spent.

There was a case where the secretary of a Fire Department was charged with 43 counts of fraud. Even though the Board had oversight the County has not prosecuted any Board member.

**Boardmember Fino:** So you recommend that not one Board member have access to the books. Just to monitor only, not change. Some Boardmembers feel they should be able to change the books.

**Mr. Saunders:** Internal controls should be in place so that no one person has all the responsibility for the finances. An audit trail can show who has changed what and when it was changed. However, embezzlement usually goes outside the District and personal finances are checked. There was a case with Rio Rico Fire when they made the switch from Chief/Secretary to a Governing Board.

**Boardmember Roll:** Is this audit [2012] a better audit than last year?

**Mr. Saunders:** Yes.

2. **Forensic Audit:** Research and locate potential firm to provide a forensic audit on Sunsites-Pearce Fire District's financial records.

**Motion:** Treasurer Cletus Frei made a motion that the Officer of the Treasurer contact three (3) potential forensic audit firms to audit SPFD financial records for 2010, 2011 and report to the Board with cost, approximate time of audit and length of time it would take.

**Second:** Clerk Rebel Jones seconded the motion.

**Discussion:**

- Boardmember Fino felt that there was no need to complete a forensic audit on the District's finances as there is no missing money and the cost of the forensic audit doesn't need to be placed on the taxpayers of the District. Mr. Saunders does an excellent job with his audits.
- Boardmember Candace Roll said that they have had good results from Mr. Saunders and that the cost of the forensic audit could cost the Department \$10,000 to \$15,000 per year audited (2010 and 2011) and didn't think that the money would be spending.

**Vote:** Chairman Lance, Clerk Jones and Treasurer Frei in favor of; Boardmembers Fino and Roll against.

**Motion Carried**

3. **Treasurer full, unrestricted "VISUAL" access to Quickbooks:**

**Motion:** Treasurer Cletus Frei made a motion that the Officer of the Treasurer be appointed full, unrestricted visual access to District's Quickbooks financial records.

**Second:** Clerk Rebel Jones seconded the motion.

**Discussion:**

- Boardmember Fino disagreed with the motion. He felt there would be too big a risk since some personal identifiable information is stored in Quickbooks. Boardmember Fino quoted a letter sent from the Board's attorney, Donna Aversa (see attached), which stated that it was James Saunders' recommendation that the Board Treasurer have "read-only" access to Quickbooks.

(Treasurer Frei called a point of order as Boardmember Fino and Charman Lance were debating the meanings of “read only access” and “visual access”, stating that Boardmember Fino be allowed to speak for his allotted 3 minutes and not get into a debate with the Board Chair.)

- Boardmember Fino went on to say that “full, unrestricted visual access” is improper with out the proper approval from the attorney, Attorney General’s office and the County.
- Boardmember Roll asked that the motion be tabled until after the Arizona Fire District’s Association training (January 18<sup>th</sup> and 19<sup>th</sup>) which would allow Boardmember Fino to ask the attorney if granting “visual access” to Quickbooks should be allowed.

(Boardmember Fino called a point of order that Chairman Lance maintain better control of the public, and Chairman Lance stated he needed better control of the Board.)

**Vote:** Chairman Lance, Clerk Jones and Treasurer Frei in favor of; Boardmembers Fino and Roll against.

**Motion carried.**

**4. Posting of By-Laws and Attachments, Agendas and Meeting Minutes of 2010 and 2011 on Fire District Website.**

**Motion:** Treasurer Frei made a motion to post By-Laws and Attachments, Agendas and Meeting Minutes of 2010 and 2011 on Fire District’s website.

**Second:** Clerk Jones seconded the motion

Discussion:

- Boardmember Fino asked if these documents were already posted on the website. He was certain that they were.
- Treasurer Frei stated that the Meeting Minutes had been removed from the website, but they need to be put back up.
- Boardmember Roll asked what minutes were posted and stated that they had not been passed or approved by the Board.
- Treasurer Frei stated that all minutes, attachments and agendas should be posted on the website whether they were passed or approved or not.

**Vote:** Chairman Lance, Clerk Jones and Treasurer Frei in favor of; Boardmembers Fino and Roll against.

**Motion carried.**

**Meeting was adjourned at 1943 hrs.**