

Puerco Valley Fire District

**Report on Performance of
Forensic Audit Services**

**For the Period January 1, 2017
to December 31, 2022**

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Independent Accountant's Report on Performance of Forensic Audit Services

Honorable Board members of Puerco Valley Fire District:

We conducted forensic audit services to investigate payments made to the fire chief (Clifford Snyder, hereinafter referred to as Chief Snyder) for payroll for the period January 1, 2017 through December 31, 2022. We performed these services to determine the amount of public monies misused, if any, during that period.

Our forensic audit services consisted primarily of inquiries, observations, and the examination of selected payroll records and other documentation. The forensic audit services were not conducted to provide an opinion on the payroll information in accordance with U.S. generally accepted auditing standards, and accordingly, we express no such opinion. Furthermore, our procedures were more limited than would be necessary to ensure that we discovered all misused public monies or whether any misuse of public funds was the result of fraud. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The board members of Puerco Valley Fire District have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the assertion that Chief Snyder received unauthorized compensation during the period January 1, 2017 through December 31, 2022. We conducted our engagement in accordance with standards applicable to forensic services established by the American Institute of Certified Public Accountants. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in the attached schedule.

Walker & Armstrong, LLP

Phoenix, Arizona
July 10, 2023

**Puerco Valley Fire District
Schedule of Procedures and Findings
Forensic Audit Services**

The following details procedures performed for our forensic audit services. The purpose of these procedures is to assist Puerco Valley Fire District (the District) in determining whether there was misuse of public monies for unauthorized compensation to its fire chief, Clifford Snyder, for the period January 1, 2017 through December 31, 2022.

Our procedures are referenced to **Exhibit A**, *Puerco Valley Fire & EMS Employee Handbook*, **Exhibit B**, *Standard Operating Guidelines: Update to Employee Handbook - Vacation* and **Exhibit C**, *Standard Operating Guidelines: Update to Employee Handbook – Sick Leave*, as applicable.

Our procedures and the related findings are reported below:

Chief Snyder’s Authorized Compensation

Procedures: Inquire and review contract or other documentation to determine Chief Snyder’s approved compensation.

Findings: The board’s understanding was that Chief Snyder’s compensation was based on the salary approved in the annual budget. An onsite observation of Chief Snyder’s employment file on February 9, 2023, found no documentation of an approved compensation amount or employment contract. An email from Chief Snyder to the District’s legal counsel dated February 17, 2023, stated that he never had an employment contract with the District. The 2020 board minutes containing discussions of Chief Snyder’s pay appeared consistent with Chief Snyder’s statement.

Budgeted hours were as follows based on our observation of the approved budgets:

Fiscal Year	Budgeted Fire Chief Salary
2017	\$ 70,990
2018	70,990
2019	75,000
2020	75,000
2021	Unspecified
2022	85,000

As there was no contract with Chief Snyder, pay to him should be based on the District's employee manual, included as **Exhibit A**. Based on the employee handbook, the payroll policies applicable to Chief Snyder are as follows:

- **“Work hours** - Employees must record their hours worked on a time card neatly, accurately, and honestly. Payroll records are regarded as legal documents supporting an employee’s claim for wages.”
- **“Overtime** - Overtime hours, outside your regular scheduled shifts must be preapproved by the appropriate supervisor. It is your responsibility to see that your work hours are accurately recorded for overtime payment.”

Schedule of Procedures and Findings – Continued

Chief Snyder’s Authorized Compensation – Continued

- **“Paid holidays** - New Years Day, Martin Luther King Jr., Memorial Day, Independence Day, Labor Day, Veterans Day, Good Friday, Presidents Day, Thanksgiving Day, Christmas Day. If your regular schedule falls on one of the Holidays listed above, you are responsible for the shift. Do not request to be off. You are responsible to find your own coverage, which does not result in overtime to the District for any of these shifts for which you are scheduled.”
- **“Vacation** - No vacation for the first year of employment (other than for full-time administrative staff); second year (for full-time 24-hour shift employees) is 4 shifts; Full-time administrative staff receive flat 20 days per year.
 - The maximum amount of vacation time that an employee may accumulate or carry over one year to the next will be 25 days for 40-hour week employees and 18 shifts for 24-hour employees. One exception to the time being used once a maximum amount would be lack of employees to work so time can be taken. If this should happen, the affected employees will have an additional six (6) months to take the vacation time before it is lost. Employees may only cash out vacation time in the event of termination or retirement. Vacation pay is always paid at the employee’s base rate.
 - Revision effective September 25, 2018 (see **Exhibit B**) – The District may, at their discretion, allow employees in time of department need, to accumulate more than the maximum allowable vacation time. The District may pay this overage out over time or a one-time lump sum payment to be determined by Puerco Valley Fire/Ambulance for anything over the maximum allowable accumulation. This evaluation will be carried out on the employee's anniversary date or to be determined by the District’s administration.”
- **“Sick leave** - All full-time employees will be eligible for sick leave according to the following schedule:
 - 0-6 months = 0 days
 - 6 months, one day - 12 months = 3 days
 - After 12 months, one day = 10 days
 - Sick leave accrual is determined from anniversary date to anniversary date.
 - When employment terminates, for any reason other than retirement, employee will not receive payment for any unused sick leave except as provided below. Time listed will be the same for 40-hour week employees, 24-hour shift employees, and Administrative Staff.
 - 0-240 hours: 0% of total sick leave balance
 - All hours over 240: 25% of total sick leave balance

Schedule of Procedures and Findings – Continued

Chief Snyder’s Authorized Compensation – Continued

- Revision effective September 25, 2018 (see **Exhibit C**) – The District may, at their discretion, pay out unused sick time hours over 480. The District’s criteria for doing so may include having not used any sick time and no written or verbal reprimands. The District may choose to make a lump sum payment or pay overtime. If sick time is not paid out per the revision, payment of sick time will default to the original policy listed in the employee handbook.”

Chief Snyder’s Actual Compensation

Procedures: Inspect timesheets (one unsigned document for all employees for each pay period that is submitted to the bookkeeping firm that processes payroll), payroll reports, W-2s and approved budgets to verify and compile actual amounts paid to Chief Snyder as compensation.

Findings: Based on our procedures, we found the following:

- A summary of hours and pay to Chief Snyder is as follows:

Calendar Year	Gross Payroll	Regular Hours	Overtime Hours	Holiday Hours	Total Hours	ASRS Contributions
2017	\$ 97,451	Unknown	Unknown	Unknown	Unknown	\$ 10,721
2018	105,739	2,080	420	240	2,740	11,857
2019	155,662	2,080	576	192	2,848	13,340
2020	215,798	2,160	1,188	264	3,612	19,488
2021	192,168	2,080	1,296	192	3,568	19,500
2022	205,944	2,080	1,392	264	3,736	20,500

- Payroll has been processed by Stanley F. Carpenter, P.C. (current bookkeeping firm) since September 2017. Payroll was previously processed by Aligned Business Works, LLC, whose records were not available for inspection. Due to the incomplete information, 2017 hours were stated as unknown in the table above.
- Chief Snyder was paid regular pay based on the budgeted salary divided by 2,080 hours and he received overtime at time and a half for additional hours submitted on timesheets to the bookkeeper for payroll processing. The 2021 salary for the fire chief was not segregated on the budget, but it was consistent with the 2022 budgeted payroll of \$85,000.
- Payroll reports for each year agreed to amounts reported on Chief Snyder's W-2s.
- Chief Snyder received twenty-four (24) hours of pay for each holiday.

Schedule of Procedures and Findings – Continued

Chief Snyder’s Actual Compensation – Continued

- Lump sum payments were made to Chief Snyder for vacation and sick time as follows. The payment amounts are included in gross payroll in the table above.

Date	Vacation Hours	Sick Hours	Payments
5/23/2019	740	360	\$ 39,666
4/16/2020	200	240	15,866
9/11/2020	400	440	34,440
9/21/2021	200	200	16,400
9/9/2022	200	320	21,320
	1,740	1,560	\$ 127,692

Chief Snyder’s Authorized versus Actual Compensation

The following procedures were performed to assess whether Chief Snyder’s compensation was consistent with the guidelines of the *Puerco Valley Fire & EMS Employee Handbook* in **Exhibit A**. No procedures were performed to determine whether the time reported to the bookkeeper for payroll processing was accurate and the salary and overtime pay was assumed to be authorized in accordance with the policy.

Procedures: Calculate the expected compensation for holiday, vacation and sick leave based on the guidelines from the employee handbook and budgeted salary (as an hourly rate) and compare to the amounts actually paid to Chief Snyder between 2017 and 2022. If overpayments were made, determine the effect on Arizona State Retirement System (ASRS) employer contributions and calculate the total misuse of public monies.

Findings: An analysis of each type of compensation and results follows.

Holiday Pay Analysis

There are ten (10) paid holidays and Chief Snyder was a full-time administrative personnel (an 8-hour work day employee eligible for overtime). Each holiday was paid out at twenty-four (24) hours rather than eight (8) hours, resulting in an overpayment. We assumed that all employees receive a shift of holiday pay, regardless of whether or not they work due to a lack of specificity in the policy. A comparison of amounts calculated based on eight (8) hours of holiday pay (for all ten holidays times the hourly rate based on the budgeted salary) and actual amounts paid follows. Total hours were unavailable for 2017 due to the change in payroll processors and was therefore not included in the calculation.

Calendar Year	Holiday Hours	Pay Calculated	Actual Pay	Calculated Overpayment
2018	80	\$ 2,792	\$ 8,376	\$ 5,584
2019	80	2,885	6,924	4,039
2020	80	3,077	10,113	7,035
2021	80	3,270	7,872	4,602
2022	80	3,270	10,824	7,554
		\$ 15,293	\$ 44,109	\$ 28,815

Schedule of Procedures and Findings – Continued

Chief Snyder’s Authorized versus Actual Compensation – Continued

Vacation Pay Analysis

Chief Snyder's vacation, based on the policy of no hours year one, 4 (24hr) shifts year two, and 20 days per year for full-time administrative personnel thereafter (he became fire chief in FY 2015), no vacation taken, and a maximum of 25 days carryover (18 shifts during 24-hr period before becoming fire chief in FY 2015). Vacation greater than the maximum is lost (after 6 months if not used) until the policy revision dated September 25, 2018, then payout of hours greater than maximum allowed carryover. As there was no documentation available for vacation requests or usage, we assumed that the District did not allow Chief Snyder to take any vacation which allowed for accumulation over the maximum allowable carryover resulting in subsequent payout of the overages. The analysis was performed from the first day of employment to properly account for cumulative balances.

Anniversary Date	Accrued Vacation	Cumulative Vacation	Maximum Carryover	Lost Vacation	Eligible for Payout	Balance After Loss/Payout	Payout Calculated	Actual Pay	Calculated Overpayment
9-1-13	0	0	432	0	0	0	\$ -	\$ -	\$ -
9-1-14	96	96	432	0	0	96	-	-	-
9-1-15	160	256	200	56	0	200	-	-	-
9-1-16	160	360	200	160	0	200	-	-	-
9-1-17	160	360	200	160	0	200	-	-	-
9-1-18	160	360	200	0	160	200	5,461	26,684	21,224
9-1-19	160	360	200	0	160	200	5,770	7,212	1,442
9-1-20	160	360	200	0	160	200	6,539	16,400	9,861
9-1-21	160	360	200	0	160	200	6,539	8,200	1,661
9-1-22	160	360	200	0	160	200	6,539	8,200	1,661
	1376				800		\$ 30,848	\$ 66,696	\$ 35,848

Sick Leave Pay Analysis

Chief Snyder's sick leave was calculated based on the policy of 3 days for the first year and 10 days per year thereafter, no usage, and no maximum carryover. Sick leave greater than the maximum was not allowable for payout until the policy revision dated September 25, 2018, then payout of hours greater than 480 is eligible. The analysis was performed from the first day of employment to properly account for cumulative balances.

Anniversary Date	Accrued Sick Leave	Cumulative Sick Leave	Eligible for Payout	Sick Leave After Payout	Payout Calculated	Actual Pay	Calculated Overpayment
9-1-13	24	24	0	24	\$ -	\$ -	\$ -
9-1-14	80	104	0	104	-	-	-
9-1-15	80	184	0	184	-	-	-
9-1-16	80	264	0	264	-	-	-
9-1-17	80	344	0	344	-	-	-
9-1-18	80	424	0	424	-	12,982	12,982
9-1-19	80	504	24	480	865	8,654	7,789
9-1-20	80	560	80	480	3,270	18,040	14,770
9-1-21	80	560	80	480	3,270	8,200	4,930
9-1-22	80	560	80	480	3,270	13,120	9,850
	744		264		\$ 10,674	\$ 60,996	\$ 50,322

Schedule of Procedures and Findings – Continued

Chief Snyder’s Authorized versus Actual Compensation – Continued

Total Overpayment Analysis

Overpayments were found as a result of comparison between authorized and actual compensation to Chief Snyder for holiday, vacation and sick leave. We totaled the overpayments and multiplied them by the ASRS total employer contribution rates (including retirement, health benefit supplement and long-term disability) for each year as reported by the plan at azasrs.gov to determine payments made on unauthorized compensation. In addition, total overpayments were calculated for each applicable year including overpayments to ASRS.

Year	Holiday Calculated Overpayment	Vacation Calculated Overpayment	Sick Calculated Overpayment	Total Overpayment Before ASRS	ASRS ER Contribution Rate	ASRS Calculated Overpayment	Total Overpayment incl ASRS
2018	\$ 5,584	\$ 21,224	\$ 12,982	\$ 39,790	11.50%	\$ 4,576	\$ 44,365
2019	4,039	1,442	7,789	13,270	11.80%	1,566	14,836
2020	7,035	9,861	14,770	31,667	12.11%	3,835	35,501
2021	4,602	1,661	4,930	11,194	12.22%	1,368	12,561
2022	7,554	1,661	9,850	19,066	12.41%	2,366	21,432
	<u>\$ 28,815</u>	<u>\$ 35,848</u>	<u>\$ 50,322</u>	<u>\$ 114,985</u>		<u>\$ 13,710</u>	<u>\$ 128,696</u>

As a result of our procedures, the District had a total misuse of public monies of \$128,696 for amounts paid to Chief Snyder for unauthorized compensation.

Appendix