

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
LAKE ELIZA AREA CONSERVANCY DISTRICT
PORTER COUNTY, INDIANA
January 1, 2011 to December 31, 2014



FILED
11/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Karen Giesler	01-01-11 to 12-31-15
President of the Board of Directors	John Rayson Steve Sandberg	01-01-11 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE ELIZA AREA CONSERVANCY DISTRICT
PORTER COUNTY, INDIANA

This report is supplemental to our examination report of the Lake Eliza Area Conservancy District (Conservancy), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Conservancy. It should be read in conjunction with our Financial Statements Examination Report of the Conservancy, which provides our opinion on the Conservancy's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 20, 2015

LAKE ELIZA AREA CONSERVANCY DISTRICT EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the Conservancy District's records at the time the transactions occurred. Our test of this procedure found that daily receipts were not recorded in the unit's ledger. The District recorded only the monthly amount of collections from sewage billing.

In addition, the District did not designate the method of payment on the sewage payment stub; therefore, we could not determine if the receipts were deposited intact.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

PAYROLL DEFICIENCIES

The following payroll deficiencies were found:

1. The District's governing board did not adopt a salary ordinance or salary schedule. The hourly wage rate of two employees was approved by the Board in a meeting.
2. The District did not withhold federal, state, and county taxes from the employee's gross pay. The Federal Insurance Compensation Act (FICA) tax was withheld, matched, and submitted to the appropriate federal agency by the District. The District also did not pay the Unemployment Insurance to the state and federal government as required.
3. Employee earnings records were not maintained.
4. An employee did not submit detailed hours worked by day. The District compensated based upon a summary of hours for a certain time period submitted on an accounts payable voucher.
5. One employee was compensated on a monthly basis. The employee received a portion of that month's compensation before the hours were worked. The final amount paid was in agreement with the total hours worked.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

LAKE ELIZA AREA CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

Salaries and wages of public officers may not be paid in advance. [IC 5-7-3-1] (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

EMPLOYER PAYROLL TAXES

The 2014 first quarter Employer's Quarterly Federal Tax Return (Form 941) was not submitted to the federal government until January 2015. Penalties and interest totaling \$261 were charged to the District but were paid personally by the Financial Clerk on March 25, 2015.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE ELIZA AREA CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2015, with Karen Geisler, Financial Clerk; Leonard Albee, Conservancy District Board member; and Kristina Kantar, Conservancy District Attorney.

LAKE ELIZA AREA CONSERVANCY DISTRICT
P.O. BOX 485
HEBRON, IN 46341

State Board of Accounts
302 Washington Street, Room E418
Indianapolis, IN 46204-2765

August 21, 2015

Re: Lake Eliza Area Conservancy District Response to Comments

Dear: State Board of Accounts:

Your office recently completed an examination and audit of the financial statements of the Lake Eliza Area Conservancy District for the calendar years 2011-2014. This letter was drafted following the August 20, 2015 exit conference held at the Porter County Administration center, and serves as the District's official response to the Examination Results and Comments presented to the District at that time. The District has examined the Comments and proposes the following corrective action to be taken by the District:

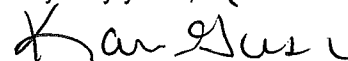
Receipt Issuance: In the future, the District sewage payment coupon books will be printed so that the designation of "cash" or "check" appears thereon, which will be manually marked accordingly to signify the form of payment received for that account. All efforts will be made to insure that funds are deposited in the time and manner permitted by statute.

Payroll Deficiencies: The Board, shall, at its next regular monthly meeting, adopt a salary Ordinance for 2015, showing approved rate of pay for District employees. A similar salary Ordinance shall be adopted for 2016 and for future years. Compensation shall be reported showing hours worked and shown in a manner that will facilitate compliance with State and Federal reporting requirements.

Employer Payroll Taxes: A onetime error was made in the delinquent filing of the 2014 Form 941, however that error was discovered internally by the financial clerk and the penalties and interest were paid by the financial clerk and not the District. This omission was an oversight in a single year, and will not occur in future.

The Board seeks to comply with all statutes and generally accepted accounting practices. If you have any questions, please do not hesitate to call.

Very truly yours,



Lake Eliza Area Conservancy District

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