

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

**SUPPLEMENTAL COMPLIANCE REPORT
OF**

**SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT
MARSHALL COUNTY, INDIANA**

January 1, 2011 to December 31, 2012



FILED
11/20/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Coordinator/ Financial Clerk	Kathy Clark	01-01-11 to 12-31-15
Chairman of the Board	Kathryn Densborn John Crist	01-01-11 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the South-West Lake Maxinkuckee Conservancy District (District), for the period from January 1, 2011 to December 31, 2012. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the District, which provides our opinions on the District's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Audit 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 8, 2015

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
FEDERAL FINDINGS

FINDING 2012-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the District related to receipts, disbursements, and cash and investments and financial reporting.

Financial Reporting

The bookkeeper prepares and submits the annual Gateway financial report, which is used to compile the financial statement, without evidence of oversight, review, or approval to ensure the annual Gateway financial report is accurate.

Cash and Investments

The bookkeeper prepares the month-end reconciliation to the bank without evidence of oversight, review, or approval to ensure the cash and investments are properly accounted for.

Receipts and Disbursements

During the audit, we noted that receipts and disbursements of \$1,022,050 were omitted from the financial records and financial statement for 2011. There was no control in place to ensure all receipts and disbursements were accounted for in the District's financial records and financial statement. An audit adjustment was proposed, accepted by the District, and made to the financial statement presented in this report.

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

FINDING 2012-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
FEDERAL FINDINGS
(Continued)

The District should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Since the District did not prepare the SEFA properly, adjustments were proposed for 2011 and 2012. The adjustments proposed were accepted by the District, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule."

South-West Lake Maxinkuckee Conservancy District

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South West Lake Maxinkuckee Conservancy District
P.O. Box 56
Culver, IN 46511

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Kathy Clark, District Coordinator/Financial Clerk
Contact Phone Number: 574-952-2963

Description of Corrective Action Plan:

The District may assess procedures and attempt to institute processes that would involve, at least on a sample basis, reviews of the financial information and records for accuracy. The Financial Clerk shall mark each monthly bank statement after reviewing it against the bookkeeper's on-line work. The bookkeeper-prepared financial statements shall also be handled in a similar way. The marked copies will be retained in the District files as proof of oversight.

The recommended procedure provided to the District to account for receipts and disbursements in the annual Gateway financial report has been implemented and the annual Gateway financial report was updated to include the agreed upon adjustment. Going forward, all Gateway reports, prior to submission, shall be reviewed by the Board and referenced as to Board action/acceptance in the District's meeting minutes.

Anticipated Completion Date: Immediate



Kathy J. Clark
(Signature)

District Coordinator/Financial Clerk

(Title)

9/3/2015

(Date)

South-West Lake Maxinkuckee Conservancy District

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P.O. Box 1887
Warsaw, IN46581

CORRECTIVE ACTION PLAN

FINDING 2012-002

Contact Person Responsible for Corrective Action: Kathy Clark, District Coordinator/Financial Clerk
Contact Phone Number: 574-952-2963

Description of Corrective Action Plan:

Due to the lack of understanding, in the early stages of Gateway, of all the data that was required to be documented in the Grants section of the annual Gateway financial report, not all of the data required was originally updated in the schedule of expenditures of Federal Awards (SEFA). The annual Gateway financial report was subsequently corrected to reflect the proper expenditures of SEFA. The District now has a better comprehensive understanding of these requirements for future events that could dictate the need to complete the Grants section of the annual Gateway financial report.

Anticipated Completion Date: Immediate



Kathy J. Clark
(Signature)

District Coordinator/Financial Clerk

(Title)

9/3/2015

(Date)

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

The Financial Clerk/District Coordinator did not obtain an individual Surety Bond for the period January 1, 2011 to January 26, 2012.

Indiana Code 14-33-5-18(b) states: "A financial clerk shall execute a surety bond in the manner prescribed by IC 5-4-1."

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the District's records at the time the transactions occurred. Our test of this procedure found that while cash collections were posted to the records, no receipts had been issued. The large majority of the receipts from user fees and distributions from the County Auditor are deposited directly into the District's bank account and not collected at the District Office. However, there were some collections at the District Office.

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)

APPROPRIATIONS

The records presented for audit indicated that the Wastewater Operating fund expenditures were in excess of budgeted appropriations for 2011 and 2012 by \$194,702 and \$278,371, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2015, with Kathy Clark, District Coordinator/Financial Clerk, and John Crist, Chairman of the Board.