

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

ALLEN COUNTY SOIL AND WATER
CONSERVATION DISTRICT
ALLEN COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
04/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Greg Lake	01-01-14 to 12-31-17
Treasurer	Tom Miller Jon Bickel	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Chairman of the Board of Supervisors	David Voors Michael Thomas Crowe	01-01-14 to 12-31-15 01-01-16 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ALLEN COUNTY SOIL AND WATER
CONSERVATION DISTRICT, ALLEN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Allen County Soil and Water Conservation District (District), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the District prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the year ended December 31, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 22, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE ALLEN COUNTY SOIL AND WATER
CONSERVATION DISTRICT, ALLEN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Allen County Soil and Water Conservation District (District), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 22, 2017, wherein we noted the District followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Allen County Soil and Water Conservation District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 22, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 37,487	\$ 1,045,848	\$ 694,158	\$ 389,177

The notes to the financial statement are an integral part of this statement.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. *Property Taxes*

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the District to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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OTHER INFORMATION - UNAUDITED

The District's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the District's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General
Cash and investments - beginning	\$ 37,487
Receipts:	
Intergovernmental receipts	837,805
Charges for services	28,954
Other receipts	179,089
Total receipts	1,045,848
Disbursements:	
Supplies	1,831
Other services and charges	27,365
Other disbursements	664,962
Total disbursements	694,158
Excess (deficiency) of receipts over disbursements	351,690
Cash and investments - ending	\$ 389,177

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment, and vehicles	<u>\$ 144,685</u>
Total capital assets	<u><u>\$ 144,685</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE ALLEN COUNTY SOIL AND WATER
CONSERVATION DISTRICT, ALLEN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Allen County Soil and Water Conservation District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Basis for Qualified Opinion on Soil and Water Conservation

As described in items 2014-004, 2014-005, and 2014-006 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Equipment, Procurement and Suspension and Debarment, Cash Management, and Reporting that are applicable to its Soil and Water Conservation. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

Basis for Qualified Opinion on Nonpoint Source Implementation Grants

As described in items 2014-009 and 2014-010 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Eligibility and Suspension and Debarment that are applicable to its Nonpoint Source Implementation Grants. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

Qualified Opinion on Soil and Water Conservation

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Soil and Water Conservation* paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Soil and Water Conservation for the year ended December 31, 2014.

Qualified Opinion on Nonpoint Source Implementation Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nonpoint Source Implementation Grants* paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Nonpoint Source Implementation Grants for the year ended December 31, 2014.

Other Matters

The District's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

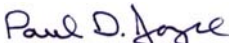
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010 to be material weaknesses.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 22, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the District. The schedule and notes are presented as intended by the District.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Soil and Water Conservation	Great Lakes Commission	10.902	WS02-11-02	\$ 309,004
Total - Department of Agriculture				<u>309,004</u>
<u>Environmental Protection Agency</u>				
Nonpoint Source Implementation Grants	Indiana Department of Environmental Management	66.460	A305-9-274 A305-2-21	242,225 <u>101,539</u>
Total - Environmental Protection Agency				<u>343,764</u>
Total federal awards expended				<u>\$ 652,768</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the District under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Program(s):

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.902	Soil and Water Conservation
66.460	Nonpoint Source Implementation Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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).

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

During the audit of the SEFA, there were the following errors: The District reported all federal grants received under one CFDA number when there were two federal grants with separate CFDA numbers. The total amount of federal grant funding reported was understated by \$133,640.

Audit adjustments were proposed, accepted by the District, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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:

"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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the District related to financial transactions and reporting. There was a lack of segregation of duties and the District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. The District prepared and submitted the Annual Financial Report (AFR) which was used to generate the financial statement. The District did not have effective controls to verify the accuracy of the AFR prior to submission.

Context

The District was required to report all financial information in the AFR. This information is used to compile the financial statement. The financial statement had a beginning balance that did not agree with the prior report's ending balance by \$141. The financial statement did not include \$250,097 in both receipts and disbursements.

Audit adjustments were proposed, accepted by the District, and made to the financial statement.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management had not established a proper system of internal control that would have ensured accuracy in financial transactions and reporting.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The financial statement contained errors as identified in the *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - INTERNAL CONTROL OVER ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Program: Soil and Water Conservation
CFDA Number: 10.902
Federal Award Number and Year (or Other Identifying Number): WS02-11-02
Pass-Through Entity: Great Lakes Commission

Condition

An effective internal control system was not in place at the District in order to ensure compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements related to the grant agreement.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

There was no separation of funds for federal grant activity. This systemic issue related to all federal grants. All District transactions went through the General fund. This made it difficult to determine activity for each grant and did not provide sufficient internal control.

There was no department head approval of payroll submitted to the County Auditor.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the District at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - EQUIPMENT, PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Program: Soil and Water Conservation

CFDA Number: 10.902

Federal Award Number and Year (or Other Identifying Number): WS02-11-02

Pass-Through Entity: Great Lakes Commission

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment and Procurement and Suspension and Debarment. There was no evidence presented for audit, that the District issued an invitation for bids or met the suspension and debarment requirement for purchases.

The District had not properly maintained a complete inventory of capital assets owned. The equipment purchased should have been tagged to identify the equipment that was owned by the District.

Context

There is a lack of control over capital assets. With the purchase of the equipment, there was no control over seeing that bids were received, suspension and debarment requirements were met, and equipment was properly recorded.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.36(b) states in part:

"*Procurement standards:*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.32(d) states in part:

". . . (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: Department of Agriculture

Federal Program: Soil and Water Conservation

CFDA Number: 10.902

Federal Award Number and Year (or Other Identifying Number): WS02-11-02

Pass-Through Entity: Great Lakes Commission

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Cash Management.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

There were reimbursements received prior to the entire advance being spent as required per the grant agreement. There were also incidents where a reimbursement was requested prior to the disbursement being made.

Context

There was no department head review and approval of quarterly reports/reimbursement requests or final report.

Corrections were made once the error was recognized regarding the errors surrounding the advance.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.21 states in part:

"(a) *Scope*. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) *Basic standard*. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) *Advances*. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) *Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-006 - REPORTING

Federal Agency: Department of Agriculture
Federal Program: Soil and Water Conservation
CFDA Number: 10.902
Federal Award Number and Year (or Other Identifying Number): WS02-11-02
Pass-Through Entity: Great Lakes Commission

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Reporting.

Context

This was a systemic problem. There was no documentation provided that would indicate that there was review and approval of the quarterly or final reports. There were errors noted on quarterly reporting requirements which led to the unit receiving reimbursements prior to having charged disbursements to the advance in full.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.20(b)(1) states in part: "Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Cause

Management had not developed a system of internal controls that segregated key functions.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-007 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Program: Soil and Water Conservation

CFDA Number: 10.902

Federal Award Number and Year (or Other Identifying Number): WS02-11-02

Pass-Through Entity: Great Lakes Commission

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Eligibility.

An employee determined and approved the eligibility of cost share participants in this program. No other individuals were involved in determining or approving eligibility.

Context

The lack of internal controls would be considered a systematic problem. There was no documentation provided that would indicate that there is review and approval of the determination of eligibility.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the district's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-008 - INTERNAL CONTROL OVER ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; MATCHING, LEVEL OF EFFORT AND EARMARKING; AND REPORTING

Federal Agency: Environmental Protection Agency

Federal Program: Nonpoint Source Implementation Grants

CFDA Number: 66.460

Federal Award Numbers and Years (or Other Identifying Numbers): A305-9-274, A305-2-21

Pass-Through Entity: Indiana Department of Environmental Management

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Activities Allowed or Unallowed; Allowable costs/cost principles; Cash Management; Matching, Level of Effort and Earmarking; and Reporting requirements.

Context

There was no separation of funds for federal grant activity. This systemic issue related to all federal grants. All District transactions went through the General fund. This made it difficult to determine activity for each grant and did not provide good internal control.

There was no department head approval of payroll submitted to the County Auditor.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-009 - ELIGIBILITY

Federal Agency: Environmental Protection Agency

Federal Program: Nonpoint Source Implementation Grants

CFDA Number: 66.460

Federal Award Numbers and Years (or Other Identifying Numbers): A305-9-274, A305-2-21

Pass-Through Entity: Indiana Department of Environmental Management

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Eligibility.

An employee determined and approved the eligibility of cost share participants in this program. No other individuals were involved in determining or approving eligibility. The District had not established a written code of standards of conduct governing employees engaged in the award and administration of contracts.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of internal controls would be considered a systematic problem. There was no documentation provided that would indicate that there is review and approval of the determination of eligibility.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

40 CFR 31.36(b) states in part:

". . . (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- (i) The employee, officer or agent,
- (ii) Any member of his immediate family,
- (iii) His or her partner, . . . has a financial or other interest in the firm selected for award."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2014-010 - SUSPENSION AND DEBARMENT

Federal Agency: Environmental Protection Agency
Federal Program: Nonpoint Source Implementation Grants
CFDA Number: 66.460
Federal Award Numbers and Years (or Other Identifying Numbers): A305-9-274, A305-2-21
Pass-Through Entity: Indiana Department of Environmental Management

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Suspension and Debarment.

Context

The District awarded contracts exceeding \$25,000 from two vendors. However, the District did not verify that the contractors were not suspended or debarred. The communications with the contractors did not contain any statements regarding suspended or debarred parties.

The District had not designed or implemented adequate policies and procedures to ensure that service contractors were not suspended or debarred. An oversight, review, or approval process had not been established.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 180.300 states in part:

". . . When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that segregated key functions.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the District. The document is presented as intended by the District.

Allen County Soil and Water Conservation District

3718 New Vision Drive • Fort Wayne, Indiana 46845

Phone 260-484-5848 Ext. 3 Fax 260-484-5080



2014 SBOA AUDIT FINDINGS CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District recognizes that in 2014 federal funds received from the Department of Agriculture as well as funds received from the Environmental Protection Agency were accidentally reported under on CFDA number. The District shall institute new internal controls and/or modify existing internal controls that provide reasonable assurance of the reliability of financial information, records and reporting; effectiveness and efficiency of operations; proper execution of management's objectives as well as compliance with laws and regulations.

The District approved new internal controls on December 21, 2016 concerning separation of duties, as well as safeguarding controls of cash and other assets and information processing and communication.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District approved internal controls on December 21, 2016 concerning separation of duties as well as safeguard controls over cash and other assets. To further increase reasonable assurance that the District is maintaining accurate records as well as providing accurate reports, the District shall review its current internal controls policy and adjust, where and if necessary, any section that will improve the accuracy of District's recording keeping and reporting.

Anticipated Completion Date:

December 31, 2017

2014 SBOA AUDIT FINDINGS CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

***Federal Agency: Department of Agriculture
Federal Program: Soil Conservation and Domestic Allotment Act
CFDA Number 10.902
Federal Award Number and Year (or Other Identifying Number) WS02-11-02
Pass Through Entity: Great Lakes Commission***

FINDING 2014-003 – INTERNAL CONTROL OVER ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy, to provide reasonable assurance of segregation of duties, increased oversight and review and approval of financial records and reporting. In addition, the District shall investigate, and where the District Board of Supervisors deems necessary and practical, modify its current financial record keeping process to ensure appropriate separation of federal grant funds.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-004 – EQUIPMENTS, PROCUREMENT SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting. Fundamental to this review and potential change to the District's current internal control policy is the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-005 – CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected on a timely basis. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting.

Fundamental to this review and potential change to the District's current internal control policy is the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity. Specific to this finding, the review of District's existing internal controls, shall be reasonable assurance that all cash management activities including monetary claim maintenance and reimbursement policies as set forth by all federal grants are adhered to.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-006 – REPORTING

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected on a timely basis. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting.

Fundamental to this review and potential change to the District's current internal control policy as it relates to this finding is assurance that proper review and approval of required reporting is completed. In addition, the review and potential subsequent changes to the District's internal controls, shall reasonably ensure the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-007 – ELIGIBILITY

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected on a timely basis. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting.

Fundamental to this review and potential change to the District's current internal control policy as it relates to this finding is that measures shall be put in place that reasonably ensure that any action or activity related to initiation, approval, review and/or reporting where an individual, such as a District staff person or Supervisor shall be avoided. In addition, the review and potential subsequent changes to the District's internal controls, shall reasonably ensure the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity.

Anticipated Completion Date:

December 31, 2017

2014 SBOA AUDIT FINDINGS CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

**Federal Agency: Environmental Protection Agency
Federal Program: Nonpoint Source Implementation Grants
CFDA Number 66.460**

**Federal Award Number and Year (or Other Identifying Number) A305-9-274, A305-2-21
Pass Through Entity: Indiana Department of Environmental Management**

FINDING 2014-008 – INTERNAL CONTROLS OVER ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; CASH MANAGEMENT; MATCHING, LEVEL OF SUPPORT AND EARMARKING; AND REPORTING

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy, to provide reasonable assurance of segregation of duties, increased oversight and review and approval of financial records and reporting. In addition, the District shall investigate, and where the District Board of Supervisors deems necessary and practical, modify its current financial record keeping process to ensure appropriate separation of federal grant funds.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-009 – ELIGIBILITY

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected on a timely basis. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting.

Fundamental to this review and potential change to the District's current internal control policy as it relates to this finding is that measures shall be put in place that reasonably ensure that any action or activity related to initiation, approval, review and/or reporting where an individual, such as a District staff person or Supervisor shall be avoided. In addition, the review

and potential subsequent changes to the District's internal controls, shall reasonably ensure the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity.

Anticipated Completion Date:

December 31, 2017

FINDING 2014-010 – SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Greg Lake, District Director and Fiscal Officer
Contact Phone Number: (260) 484-5848

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The District shall review and where applicable, revise its current internal control policy to provide reasonable assurance that controls and processes are in place that provide segregation of duties and further ensures that non-compliance with federal grant programs can be avoided and/or detected and subsequently corrected on a timely basis. This process shall evaluate and modify actions, where the District Board feels changes are necessary and reasonable, regarding oversight, reviews and approvals of financial matters and related activities such as reporting.

Fundamental to this review and potential change to the District's current internal control policy as it relates to this finding is that measures shall be put in place that reasonably ensure that federal grant requirements, such as the review of federal standards regarding suspension and/or debarment be adhered to. In addition, the review and potential subsequent changes to the District's internal controls, shall reasonably ensure the avoidance of any one individual or small group of individuals having a position to initiate, approve, undertake, and review the same activity.

Anticipated Completion Date:

December 31, 2017



(Signature)

DIRECTOR

(Title)

2-22-17

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.