

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

SUPPLEMENTAL COMPLIANCE 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



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

This report is supplemental to our audit report of the Allen County Soil and Water Conservation District (District), for the period from January 1, 2014 to December 31, 2014. 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/](http://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

February 22, 2017

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL 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).

*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:

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

- (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.
- (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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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.

*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.



ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

**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.

*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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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

*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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

- (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."

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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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.

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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

(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.

*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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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 3016.209b)(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.

*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

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(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 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. . . ."

*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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

**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.

*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.



ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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.

*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:

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

- (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.

***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.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
FEDERAL FINDINGS  
(Continued)

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.

*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

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)

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
AUDIT RESULTS AND COMMENTS

**SUPPORTING DOCUMENTATION**

We noted disbursements that did not include adequate supporting documentation to support the purchase. One credit card claim included a charge for \$1,220 for jackets that was not supported by an invoice, but only by a credit card slip. A credit card slip is not considered adequate supporting documentation. Another disbursement for \$481 for a reception and lodging had no documentation. Due to the lack of supporting documentation, we could not verify the purpose and/or validity of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**PUBLIC PURCHASES**

The Allen County Soil and Water Conservation District (District) purchased a double tank air drill on November 12, 2014. The original cost was \$184,500; however, there was no evidence presented for audit, that the District issued an invitation for bids.

Indiana Code 5-22-7-2, regarding purchases with a price expected to exceed \$150,000, states:

- "(a) A purchasing agent shall issue an invitation for bids.
- (b) An invitation for bids must include the following:
  - (1) A purchase description.
  - (2) All contractual terms and conditions that apply to the purchase.
  - (3) A statement of the evaluation of criteria that will be used, including any of the following:
    - (A) Inspection.
    - (B) Testing.
    - (C) Quality.
    - (D) Workmanship.
    - (E) Delivery.

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (F) Suitability for a particular purpose.
- (G) The requirement imposed under IC 5-22-3-5.
- (4) The time and place for opening the bids.
- (5) A statement concerning whether the bid must be accompanied by a certified check or other evidence of financial responsibility that may be imposed in accordance with rules or policies of the governmental body.
- (6) A statement concerning the conditions under which a bid may be canceled or rejected in whole or in parts as specified under IC 5-22-18-2."

**APPROVAL OF DISBURSEMENTS**

The Director of the District did not sign any of the 26 Payroll Worksheet Certifications submitted to the Allen County Auditor during the audit period. The District Office Manager is authorized to sign the certifications in the absence of the Director. In addition, the Director only approved attached time sheets for two of the 26 payrolls. The Director did not sign claim forms certifying that the supplies, material, or services were received or that the attached invoices or bills were true and correct.

Indiana Code 14-32-4-24(b) states: "Each payment under this section must be certified by the district's fiscal officer. The certification must be on a form prescribed by the state board of accounts."

**CAPITAL ASSETS**

The District had not properly maintained a complete inventory of capital assets owned. The equipment purchased should be tagged to identify the asset as owned by the District. The District's capital assets were stored on farm property owned or partially controlled by the District's Director.

The District had no official capital asset policy.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ALLEN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2017, with Greg Lake, Director; Michael Thomas Crowe, Chairman of the Board of Supervisors; Donald Rekeweg, Board member; Tom Miller, Board member; and Krista Voors, Office Manager.