

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

COMPLIANCE EXAMINATION REPORT

OF

BLUE LAKE CONSERVANCY DISTRICT

WHITLEY COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

12/15/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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December 15, 2023

To: The Officials of the Blue Lake Conservancy District
Blue Lake Conservancy District
Whitley County, Indiana

This report is supplemental to the audit report of the Blue Lake Conservancy District (District), for the period from January 1, 2018 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an opinion on the District's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the Blue Lake Conservancy District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on pages 3-7.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

BLUE LAKE CONSERVANCY DISTRICT

Whitley County, Indiana
January 1, 2018 to December 31, 2022

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BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2018 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amelia Winebrenner	01-01-18 to 01-31-19
	Darlene Ramus	02-01-19 to 12-31-22
Financial Clerk	Sue Hamilton	01-01-18 to 01-31-20
	Randy Grawock	02-01-20 to 05-31-21
	Gerri Johnson	06-01-21 to 01-31-22
	Amy Goodwin	02-01-22 to 12-31-22
President of the Board	Justin Berghoff	01-01-18 to 12-31-19
	Lisa Waterman	01-01-20 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Blue Lake Conservancy District

We have examined the Blue Lake Conservancy District ("District") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2018 to December 31, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the District during the period January 1, 2018 to December 31, 2022, as described in items 2022-001 through 2022-013 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the District complied, in all material respects, with the aforementioned requirements during the period January 1, 2018 to December 31, 2022.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
November 30, 2023

BLUE LAKE CONSERVANCY DISTRICT
 SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
 January 1, 2018 to December 31, 2022

FINDING 2022-001: CONDITION OF RECORDS - ANNUAL FINANCIAL REPORT (AFR)

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *“At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.”*

Condition: During testing, we noted the receipt, disbursement, and cash amounts reported on the AFR for each year did not agree the underlying bank statements. A summary of the errors resulting in audit adjustments is summarized below:

	Beginning 1/1 Cash Balance			Disbursements			Receipts			Ending 12/31 Cash Balance		
	Reconciled Cash Balance	Original AFR Submission	Variance	Amount per the bank statements for the year	Original AFR Submission	Variance	Amount per the bank statements for the year	Original AFR Submission	Variance	Reconciled Cash Balance	Original Client AFR	Variance
2018	180,396	276,563	96,167	336,451	366,693	30,242	392,453	370,282	(22,171)	236,398	280,152	43,754
2019	236,398	280,152	43,754	317,148	320,811	3,663	369,291	369,715	424	288,541	329,056	40,515
2020	288,541	287,842	(699)	478,678	496,075	17,397	498,257	500,321	2,064	308,120	292,088	(16,032)
2021	308,120	292,088	(16,032)	365,850	395,998	30,148	357,588	547,548	189,960	299,858	443,638	143,780
2022	299,858	443,315	143,457	409,339	395,141	(14,198)	421,199	385,970	(35,229)	311,718	434,144	122,426

This is a repeat finding from the prior report. The prior report number was B52474.

FINDING 2022-002: BANK ACCOUNT RECONCILIATION REVIEW

Criteria: Indiana Code 5-13-6-1(e) states, *“All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories.”*

Condition: During testing of bank reconciliations, Crowe noted that the Board does not formally review the bank reconciliations. The Administrative Clerk prepares the reconciliation and uses it to prepare the monthly financials, which are reviewed by the Treasurer and the Board, but the reconciliation is not subject to review.

This is a repeat finding from the prior report. The prior report number was B52474.

FINDING 2022-003: APPROVAL OF DISBURSEMENTS

Criteria: Indiana Code 5-11-10-1.6 states in part, *“. . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services. (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .”*

Condition: During testing of disbursements, we noted that disbursements for each month are approved only after the disbursement had already been made. The Board receives the invoices at each monthly meeting that were paid in the previous month, reviews, and signs to approve.

This is a repeat finding from the prior report. The prior report number was B52474.

(Continued)

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-004: MINIMUM LEVEL OF INTERNAL CONTROLS

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. . . ."

Condition: During testing, we noted the Unit had no formal documentation of the implementation of the minimum standards of internal controls.

This is a repeat finding from the prior report. The prior report number was B52474.

FINDING 2022-005: SUPPORTING DOCUMENTATION - MISSING INVOICES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *"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."*

Condition: During testing of disbursements, we noted 2 instances, in a sample of 38, in which the supporting invoices could not be provided. The total amount of disbursements identified was \$2,800.

FINDING 2022-006: CONTRACTS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *"Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts."*

Condition: During testing of disbursements, we noted that 5 instances, in a sample of 38, where the District was unable to find the supporting contract to verify the disbursement was paid in accordance with contract.

(Continued)

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-007: INTERNAL CONTROLS – DISBURSEMENTS APPROVAL

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. . . ."*

Condition: During testing of disbursements, we noted that 4 instances, in a sample of 38, where the Board did not approve the claim docket showing approval of the disbursements.

FINDING 2022-008: ANNUAL FINANCIAL REPORT

Criteria: Indiana Code 5-11-1-4(a) states, *"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."*

Condition: During testing of Annual Financial Report (AFR) submissions, we noted the following Annual Financial Reports were submitted late:

- The 2018 AFR was submitted on April 11, 2019, 41 days after the due date.
- The 2019 AFR was submitted on June 22, 2020, 112 days after the due date.
- The 2021 AFR was submitted on March 23, 2022, 22 days after the due date.

FINDING 2022-009: CONDITION OF RECORDS – DISBURSEMENT LISTINGS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *"At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee."*

Condition: During testing, we noted the District did not provide detailed disbursement listings or check registers to show the list of payments made during the audit period. The District prepared a monthly summary of disbursements that had a subtotal paid to each vendor, but the listing did not break out the total payments by check or voucher number.

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BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-010: CONDITION OF RECORDS – RECEIPT LISTINGS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *“At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.”*

Condition: During testing, we noted the District did not have listings of customer receipts to audit or make samples from to ensure receipts were recorded appropriately. Therefore, we were unable to test that amounts billed to customers were in accordance with an approved rate ordinance.

FINDING 2022-011: INTERNAL CONTROLS – TRANSFERS APPROVAL

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. . . .”*

Condition: During testing of transfers, we noted there was no board resolution to support the approval of the transfer recorded in 2022. There were other transfers recorded for the other years during the audit period.

FINDING 2022-012: CONFLICT OF INTEREST

Criteria: Indiana Code 35-44.1-1-4 states in part, *“(b) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony. (c) It is not an offense under this section if any of the following apply: (6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is (B) appointed by an elected public servant. . . .”*

Condition: During testing of conflict of interest policies, we noted the District paid the superintendent \$100 a month to rent storage space owned by the superintendent. A state conflict-of-interest form was properly filed for 2020. However, a form was not submitted for the other years under audit for which the payments recurred each year.

(Continued)

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-013: MISSING GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

The following files and governmental unit information are required to be uploaded monthly by all units:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

The following files and governmental unit information are required to be uploaded annually by all units:

- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund

Condition: During testing, we noted the Unit did not upload the following required documents to Gateway:

2018

- All required monthly and annual documents

2019

- The August through December monthly board minutes
- All bank reconciliations except for March and December
- All annual documents except for the year-end investment statement

2020

- All annual documents

2021

- The May 2021 monthly board minutes and fund ledger
- All of the June 2021 monthly documents
- All annual documents

2022

- All annual documents
-

BLUE LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE
January 1, 2018 to December 31, 2022

The contents of this report were discussed on November 30, 2023 with Lisa Waterman, Board President, Amy Goodwin, Financial Clerk, and Darlene Ramus, Treasurer.