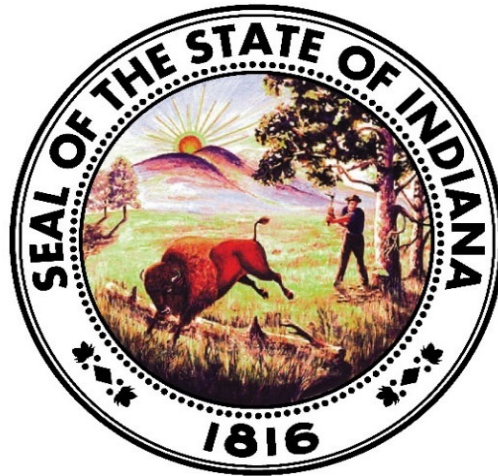


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE ENGAGEMENT REPORT
OF
LAKE MCCOY CONSERVANCY DISTRICT
DECATUR COUNTY, INDIANA
January 1, 2019 to December 31, 2023



FILED
04/15/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jerry Stuart Scott Doles	01-01-19 to 12-31-19 01-01-20 to 12-31-24
President of the District Board	Patti Nugent Josh Reece	01-01-19 to 12-31-19 01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE MCCOY CONSERVANCY
DISTRICT, DECATUR COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Lake McCoy Conservancy District (District), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Scott Doles, Director, and Patti Nugent, Secretary of the District Board, on April 4, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

March 25, 2024

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the District's Statements of Receipts, Disbursements and Cash and Investment Balances, was incorrect and did not agree with the District's records. The District failed to properly review the financial information. Due to the lack of effective internal controls, the information presented for review contained the following errors:

- Local distributions received in 2020, in the amount of \$14,499, were omitted from the 2020 Annual Financial Report and were incorrectly reported in the 2021 Annual Financial Report.
- The District reported \$0 receipts and disbursements in the 2023 Annual Financial Report, this understated receipts and disbursements by \$6,812 and \$6,696, respectively.

Adjustments were proposed, accepted by the District, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances included in this report.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

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. . . ."

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

DISBURSEMENT PROCEDURES NOT FOLLOWED

Similar comments also appeared in prior Report B53703, entitled *DISBURSEMENT PROCEDURES NOT FOLLOWED and INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the District related to disbursements.

The District did not use the prescribed claim form (General Claim Form No. 354, or Accounts Payable Voucher Town Form No. 39) to document approval of disbursements. The prescribed form provides for the signatures of District officers to document that the claim was audited by the fiscal officer and allowed by the governing board. The fiscal officer may draw a check for the payment only after these signatures are obtained.

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. . . ."

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:

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LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

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ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B53703, entitled *ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The District did not adopt internal control standards as required by Indiana Code 5-11-1-27(g), and did not provide training over internal control standards to appropriate personnel.

In the Annual Financial Reports for the years 2020 through 2023, the District incorrectly certified that internal control standards had been adopted and that personnel had received training.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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

"The state examiner shall require from every audited entity 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](#)."

FAILURE TO WITHHOLD PAYROLL TAXES

A similar comment also appeared in prior Report B53703, entitled *COMPENSATION AND BENEFITS*.

Condition and Context

Internal control deficiencies resulted in the noncompliance detailed below:

- The District did not withhold federal, state, or local taxes from the compensation paid to the Director or District Board members. Total compensation paid by the District ranged from \$1,000 to \$2,149 for the years 2019 to 2023. Internal Revenue Service Form W-2's were not presented for review.

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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:

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MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal control deficiencies resulted in the noncompliance detailed below:

- The District did not upload all required files to the Indiana Gateway for Government Units financial reporting system during the review period. Files that were uploaded, were not always uploaded timely.

The following required files were not uploaded:

- All annual uploads for 2020 and 2021.
- Salary ordinances for 2019, 2020, 2021, 2022, and 2023.

The following required files were not uploaded timely:

- All monthly uploads for 2019 were uploaded on July 6, 2020.
- All monthly uploads for January through April of 2020 were uploaded on July 6, 2020.

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide>. **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents."

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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:

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ANNUAL REPORT TO THE COURT

The same comment also appeared in prior Report B53703, entitled *ANNUAL REPORT TO THE COURT*.

Condition and Context

Internal control deficiencies resulted in the noncompliance detailed below:

- District officials indicated that they had not submitted an annual report to the Court of its income and expenses for 2019, 2020, 2021, 2022, or 2023.

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

Criteria

Indiana Code 14-33-5-20 states in part:

"The board shall do the following: . . .

(6) Make an annual report to the court of income and expenses. The report must be submitted not later than thirty (30) days after the annual meeting and may include any of the following:

(A) A statement of the progress in accomplishing each purpose for which the district is established.

(B) Recommendations for amendment to the district plan.

(C) Any matter than the board believes should be brought to the attention of the court for instructions or approval. . . ."

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:

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ANNUAL FINANCIAL REPORT - LATE FILING

Condition and Context

Internal control deficiencies resulted in the noncompliance detailed below:

- The District filed its 2019, 2020, and 2021 Annual Financial Reports (AFR) late. The AFR is due 60 days after year end, and the District submitted its AFRs for 2019 on July 6, 2020 (126 days late), 2020 on March 3, 2021 (2 days late), and 2021 on April 22, 2022 (52 days late).

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

LAKE MCCOY CONSERVANCY DISTRICT
COMMENTS
(Continued)

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:

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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LAKE MCCOY CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General Fund	\$ 20,734	\$ 71,618	\$ 55,217	\$ 37,135	\$ 34,649	\$ 12,796	\$ 58,988
Totals	<u>\$ 20,734</u>	<u>\$ 71,618</u>	<u>\$ 55,217</u>	<u>\$ 37,135</u>	<u>\$ 34,649</u>	<u>\$ 12,796</u>	<u>\$ 58,988</u>

LAKE MCCOY CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General Fund	\$ 58,988	\$ 41,304	\$ 5,949	\$ 94,343	\$ 33,944	\$ 10,875	\$ 117,412
Totals	<u>\$ 58,988</u>	<u>\$ 41,304</u>	<u>\$ 5,949</u>	<u>\$ 94,343</u>	<u>\$ 33,944</u>	<u>\$ 10,875</u>	<u>\$ 117,412</u>

LAKE MCCOY CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General Fund	\$ 117,412	\$ 6,812	\$ 6,696	\$ 117,528
Totals	<u>\$ 117,412</u>	<u>\$ 6,812</u>	<u>\$ 6,696</u>	<u>\$ 117,528</u>