

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

COMPLIANCE ENGAGEMENT REPORT

OF

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT

DUBOIS COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
05/30/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-10
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	13-15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Thomas A. Schum (Vacant) Craig Beck	01-01-19 to 01-31-21 02-01-21 to 02-17-21 02-18-21 to 12-31-24
President of the District Board	Jeffrey G. Schitter	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE IRELAND-MADISON TOWNSHIP
CONSERVANCY DISTRICT, DUBOIS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Ireland-Madison Township 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 Jeffrey G. Schitter, President of the District Board; Craig Beck, Treasurer; Tammy Sermersheim, Township Board member; Gene Mehringer, Township Board member; Sonya Haas, Financial Consultant; and Sharon Knies, outsourced Bookkeeper, on May 21, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 9, 2024

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the District complied with laws, regulations, and uniform compliance guidelines. Noncompliance over the *Adoption of, and Training on, Internal Control Standards; Annual Financial Report; Bank Account Reconciliations; Capital Assets; Certification on Internal Control Standards; Compensation and Benefits; Contracts; Monthly and Annual Uploads; and Ordinances and Resolutions* occurred as detailed further in the comments below.

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. . . ."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54765.

Condition and Context

The District Board had not adopted the required minimum internal control standards, nor provided training to required personnel on internal control standards.

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."

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT
COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B54765.

Condition and Context

For 2019, 2020, 2021, 2022, and 2023, the District incorrectly certified in the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e), and that all personnel defined by Indiana Code 5-11-1-27(c) had received training over the internal control standards. However, the minimum internal control standards had not been adopted and training had not been provided.

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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Governmental Units (Gateway) financial reporting system. The District entered information into Gateway without a review and oversight process in place to ensure the amounts were reported correctly prior to submission, which resulted in the following errors:

- The beginning cash balance on January 1, 2019, was overstated by \$266,356 which carried throughout the engagement period. Due to additional trivial errors in receipts and disbursements, the ending cash balance as of December 31, 2023, was overstated by \$266,123.
- The District reported investments each year of the engagement; however, they were not accurate. The ending cash balance of investments were overstated by \$377,715 for 2019, 2020, 2021, and 2022, and \$151,735 for 2023.

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)

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT
COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The District was performing monthly bank account reconciliations; however, they were not reconciling the General fund to include the investment accounts; only the checking account was being reconciled. In addition, the District's monthly bank reconciliation included a reconciling item which had been carried since 2019, in the amount of \$7,116.

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."

CAPITAL ASSETS

Condition and Context

The District reported \$2,289,768 in the Schedule of Capital Assets that was submitted as part of the District's 2023 Annual Financial Report submission in the Indiana Gateway for Government Units financial reporting system. The District did not have a complete detailed listing of all capital assets owned which reflected their acquisition value to support the amounts reported. The District also did not have a capital asset policy that detailed the threshold at which an item was considered a capital asset. Additionally, the District had not taken a complete physical inventory at least every two years.

Criteria

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)

COMPENSATION AND BENEFITS

A similar comment appeared in a Management Letter addressed to the District Officials for the review engagement period ending December 31, 2018.

Condition and Context

The District Board members are considered employees of the District. The District Board members are compensated on a per-meeting basis for each meeting attended in accordance with Indiana Code 14-33-5-16. Additionally, the District Board members were paid through the normal claims process as vendors throughout the engagement period. As a result, the District did not withhold taxes, and Forms W-2 were not filed for any of the District Board members.

During testing of claims, one claim was identified in which a member of the District Board was paid for performing wastewater inspection of new hookups. The District Board had not adopted an ordinance or resolution that dictated who was authorized to perform this function for customers or that approved the rate the authorized individual(s) were to be paid.

IRELAND-MADISON TOWNSHIP 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)

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)

CONTRACTS

A similar comment appeared in a Management Letter addressed to the District Officials for the review engagement period ending December 31, 2018.

Condition and Context

A test of vendor claims identified multiple issues related to the following payments for contractual services:

Monthly Maintenance Service

One vendor tested performed monthly sewer maintenance service for the District. The District did not have a written contract in place with this vendor.

Bookkeeper

The District contracted with an individual to perform bookkeeping services. The District Board minutes indicated the District Board approved the hourly rate that this individual was to receive, but there was no written contract in place with this individual. On the claim tested, the individual was also reimbursed for ink and copies, as well as use of a computer and copy machine. Any amounts beyond the hourly rate should have been explicitly stated in a written contract, and the claim was not adequately itemized for these charges.

Operations Agreement

The District did not have administrative staff or its own office space. The District entered into a written agreement with Ireland Utilities for performance of office functions on behalf of the District. The contract stated that the District would make a rental payment to Ireland Utilities as a contribution toward employee wages, postage, maintenance of the billing system, the Utilities' cost, and office supplies. However, the agreement did not list amounts to be contributed towards each or what percentage of the given expense would be allocated and charged to the District.

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-10-1.6(c) states in part:

"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; . . ."

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The District did not upload the required files for 2019, 2020, 2021, 2022, and 2023 containing financial and governmental unit information on the Indiana Gateway for Government Units financial reporting system to allow the Indiana State Board of Accounts (SBOA) to conduct engagement planning and engagement processes prior to on-site work at a District. The information required to upload was bank reconciliations, bank statements, outstanding check lists, approved District Board minutes, and a fund ledger summarizing receipts, disbursements, and beginning and ending balances by fund.

Criteria

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. (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)

ORDINANCES AND RESOLUTIONS

Condition and Context

The District does not provide its own wastewater service, but instead has contracted with the City of Jasper (City) to provide service to its customers. The rate charged to customers, and any subsequent rate increases, was determined based upon the rates charged by the City to the District. The District Board did not adopt an ordinance or resolution establishing the rates in effect at the beginning of the engagement period or for the rate increase effective in March 2020. The December 2019 District Board minutes mentioned only that rates would be increasing but did not indicate what the new rates would be.

IRELAND-MADISON TOWNSHIP CONSERVANCY DISTRICT
COMMENTS
(Continued)

Criteria

Indiana Code 36-9-23-25(a) states: "Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due."

Indiana Code 36-9-23-26(a) states in part:

"After the introduction of the ordinance establishing fees under section 25 of this chapter, but before it is finally adopted, the municipal legislative body shall hold a public hearing at which users of the sewage works, owners of property served or to be served by the works, and other interested person may be heard concerning the proposed fees. . . ."

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference material should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Special Districts)

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

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IRELAND-MADISON TOWNSHIP 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	\$ 741,554	\$ 196,993	\$ 193,839	\$ 744,708	\$ 180,937	\$ 157,590	\$ 768,055
Totals	<u>\$ 741,554</u>	<u>\$ 196,993</u>	<u>\$ 193,839</u>	<u>\$ 744,708</u>	<u>\$ 180,937</u>	<u>\$ 157,590</u>	<u>\$ 768,055</u>

IRELAND-MADISON TOWNSHIP 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	\$ 768,055	\$ 183,409	\$ 203,377	\$ 748,087	\$ 184,516	\$ 264,441	\$ 668,162
Totals	<u>\$ 768,055</u>	<u>\$ 183,409</u>	<u>\$ 203,377</u>	<u>\$ 748,087</u>	<u>\$ 184,516</u>	<u>\$ 264,441</u>	<u>\$ 668,162</u>

IRELAND-MADISON TOWNSHIP 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	\$ 668,162	\$ 213,475	\$ 197,469	\$ 684,168
Totals	<u>\$ 668,162</u>	<u>\$ 213,475</u>	<u>\$ 197,469</u>	<u>\$ 684,168</u>