

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

COMPLIANCE ENGAGEMENT REPORT

OF

INDIAN BOUNDARY CONSERVANCY DISTRICT

PORTER COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

07/25/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Compliance Report .....	3-4
Comments .....	5-8
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	11-13
Official Response .....	14-16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Cherie Vogel	01-01-19 to 03-31-19
	Adeline Vargas	04-01-19 to 12-31-20
	Katherine Holmgren	01-01-21 to 12-31-24
District Board Members	George Clem	01-01-19 to 12-31-24
	Jonathan Dunlap	01-01-19 to 12-31-24
	Daniel Doolin	01-01-19 to 12-31-24
	Raymond Rutkowski	01-01-19 to 12-31-24
	Charles Seely	01-01-19 to 03-31-22
	Carol Wood	04-01-22 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE INDIAN BOUNDARY CONSERVANCY  
DISTRICT, PORTER COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Indian Boundary 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 Kathrine Holmgren, Financial Clerk; George Clem, Chair of the District Board; and Carol Wood, District Board member, on July 11, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

June 4, 2024

INDIAN BOUNDARY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place to ensure that the District complied with laws and regulations. The internal controls deficiencies resulted in noncompliance over the Annual Financial Report, compensation and benefits, federal and state agencies - compliance requirements, ordinances and resolutions, and receipt issuance, 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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District had not established effective procedures over the AFR information entered into Gateway. This resulted in errors in reporting of financial activity, capital assets, and leases.

*Financial Activity*

The District did not accurately report receipt and disbursement activity during 2019 and again in 2023. The receipt and disbursement activity reported included the creation of and transfer of funds into a money market (MM) fund for MM investments made from the General Fund. This overstated reported receipts and disbursements by \$406,000 each, for 2019, and \$22,000 each for 2023.

Adjustments were proposed, accepted by the District, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented later in this report.

*Capital Assets*

The District prepared and submitted the capital asset information into Gateway. However, the records provided did not support the capital asset information entered into Gateway for the five years of the engagement period (2019 to 2023).

INDIAN BOUNDARY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The District Board adopted its capital asset policy on June 8, 2021. Review of the cumulative capital asset ledger provided for 2023 noted various issues as follows:

- The total reported on the AFR for capital assets was greater than the capital asset ledger documentation by \$175,197; \$171,095; and \$171,095 for 2023, 2022, and 2021, respectively.
- A line item identified as engineering for \$1,420,657 was included in the capital asset ledger without supporting details or allocation to the constructed assets.
- Assets were included in the ledger that were individually below the capital asset policy threshold of \$5,000. Additionally, categories were not classified on the capital asset ledger to differentiate between improvements and infrastructure.
- The District did not use the prescribed capital assets ledger form. Instead, an excel spreadsheet was provided which did not contain all the required information fields, such as location of the asset and the type of capital asset. Additionally, the total in the ledger was mathematically inaccurate as it was a number and not a formula.
- The District did not provide documentation to support a physical inventory being taken.

*Leases*

The District reported in 2022 a lease for \$120,000 with a local community. The District did not have a lease but a contract for the processing of the District's sewage collections. This resulted in overreporting of leases.

*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](#)."

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**COMPENSATION AND BENEFITS**

*Condition and Context*

The District had three individuals who worked in the Financial Clerk position during the years 2019 to 2023 and were paid a monthly salary. The District did not maintain timecards or time records to document hours worked by the Financial Clerks.

INDIAN BOUNDARY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The District paid compensation to the Financial Clerks, and per diem for meetings and additional days related to the business of the District to the District Board members. The District has not adopted a resolution or ordinance as to which fund the compensation was to be paid from. Compensation was paid from the General Fund and Sewage Utility Fund.

Per the Per Diem Policy approved by a Circuit Court Order, the District Board receives a per meeting per diem and per diem for a day devoted to the work of the District. The following was noted related to District Board compensation:

- When District Board members received per diem for additional duties performed, no withholdings were initially taken from the additional payment received. Withholdings were taken out of the last payment of the year.
- One District Board member claimed per diem pay for \$200 for one day's service in 2023. However, the Court ordered compensation states in part: "One Hundred Dollars (\$100.00) for not more than eight (8) days per month devoted to the work of the District. . . ."

The District did not use the State Board of Accounts prescribed payroll schedule and voucher form 99 for accounting for, and the recording of, payroll. An accounts payable voucher was used for each individual's compensation and did not contain the breakdown of the amounts withheld or the support for the amounts paid.

*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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

The District did not accurately file payroll records with the state and federal government during four years of the engagement period (2019-2022). The District Board members per diem determined for December of each year was reported in the payroll history record and the individual's W-2 as paid in that year. However, the December compensation was not paid to the members in that year but when the check was issued in January of the following year. It was also recorded in the financial ledger as paid in the following January. The related withholdings were also paid in January of the following year. Due to this error in reporting, W-2 records and payroll withholdings reported for the District Board members are not accurate for the years 2019 to 2022 of the engagement period, since they contain compensation not paid until the following year.

INDIAN BOUNDARY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

*Criteria*

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*

Procedures were not in place to ensure that the correct sewage fees were charged and collected. In a test of wastewater billing, for 6 of 25 accounts, the customers received the annual \$15 early payment discount, despite the fact payments were made past the January 31 deadline stated in Ordinance 10-01, section 3. One of these instances included a District Board member who made the annual payment in April 2023 and received the discount.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**RECEIPT ISSUANCE**

*Condition and Context*

The District did not issue any receipts during the examination period for any receipt source. District ledgers included dates, descriptions (source), and amounts. Receipt activity for sewage collections throughout the examination period were posted in batches by date in the ledger. Spreadsheets were maintained to provide the support of the batch postings for sewage collections but only contained the amount and address or a name; it did not include date received or form of payment. We could not determine if amounts were recorded or deposited timely and completely without issued receipts.

*Criteria*

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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

(This page intentionally left blank.)

INDIAN BOUNDARY 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	\$ 484,027	\$ 166,265	\$ 207,369	\$ 442,923	\$ 166,765	\$ 162,595	\$ 447,093
Rainy Day Fund	-	65,186	-	65,186	14,692	-	79,878
Cumulative Improvement Fund	196,574	20,805	10,400	206,979	31,864	9,400	229,443
Sewage Utility Fund	92,967	64,536	51,808	105,695	54,002	43,697	116,000
Totals	\$ 773,568	\$ 316,792	\$ 269,577	\$ 820,783	\$ 267,323	\$ 215,692	\$ 872,414

INDIAN BOUNDARY 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	\$ 447,095	\$ 174,724	\$ 147,451	\$ 474,368	\$ 190,649	\$ 186,230	\$ 478,787
Rainy Day Fund	79,879	15,262	-	95,141	24,331	-	119,472
Cumulative Improvement Fund	229,443	22,070	1,419	250,094	24,972	9,756	265,310
Sewage Utility Fund	115,999	56,323	71,134	101,188	56,121	37,638	119,671
Totals	\$ 872,416	\$ 268,379	\$ 220,004	\$ 920,791	\$ 296,073	\$ 233,624	\$ 983,240

INDIAN BOUNDARY 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	\$ 478,787	\$ 218,162	\$ 223,037	\$ 473,912
Rainy Day Fund	119,471	26,883	-	146,354
Cumulative Improvement Fund	265,311	42,077	-	307,388
Sewage Utility Fund	119,672	78,720	54,444	143,948
Totals	\$ 983,241	\$ 365,842	\$ 277,481	\$ 1,071,602

## OFFICIAL RESPONSE

Date: July 19, 2024

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: Indian Boundary Conservancy District Exit Meeting Response for Compliance Engagement 2019-2023

### **Regarding the Annual Financial Report (AFR):**

In 2019, the clerk(s) and staff (board members) at that time, created (2) general funds on the Gateway website instead of one general fund with multiple bank accounts (i.e. money market accounts). Instead of denoting ACH debits or credits from different bank accounts under (1) general fund, “transfers” were entered to and from the 2nd general fund on Gateway/ in the in-house spreadsheet records. This issue arose from an issue with the checks issued while changing banks as well. Chairman Clem has since then deleted/corrected this 2nd general fund on Gateway and has updated the AFR (Annual Financial Report) recommended adjustments from SBOA(State Board of Accounts) for years 2019-2023. This eliminated reporting errors within the AFR on Gateway. The IBCD has 4 bank accounts within 1 general fund. Additionally, going forward, Chairman Clem will enter the AFR and submit, starting with calendar year 2024. The financial clerk will do a cross-check review and document this review per the 2023 Gateway User Guide. Recommended adjustments to the AFR for 2019-2023 have been reviewed by Chairman Clem and SBOA Field Examiner Jerimy Zeilenga on 7/15/2024. The updated AFR reports for 2019-2023 have been submitted.

### **Regarding Capital Asset records and reporting:**

The idea of reviewing and adopting a higher threshold reporting policy/process for certain categories such as improvements vs. other categories was discussed at the exit meeting with SBOA. Additionally, this process/policy could be updated regarding the following: standard practices for maintenance vs. new purchases, definition of expected life of assets, and the pro-ration of engineering cost values to various assets. Pro-ration of engineering costs would be based on the original assets acquired and those values- this would be reviewed by SBOA as well. These updates would be documented in the minutes regarding updated process and policy, specifically denoting changes to be made. Changes on the Gateway website would also need to be implemented when the updates are decided upon/confirmed. Information has been corrected and submitted in the AFRs.

The capital assets spreadsheets have been in the process of being updated. These spreadsheets are not required to be on the prescribed form (per SBOA examiners), but would need to be documented regarding approvals for use. For instance, via minutes, resolution, and by SBOA. The capital asset

spreadsheets will be reviewed further. For underground assets, a policy may be reviewed, documented, and adopted regarding how to proceed with inventory processes. For above ground assets, IBCD may consider incorporating some of its vendors' processes with documenting inventory. Vendors' services can somewhat constitute a physical inventory.

#### **Regarding lease information in the AFR:**

This information is an agreement/contract and has a fluctuating dollar amount based on usage. The amounts and copy of the agreement/contract will be uploaded to the Gateway when required and were available for review during the 2019-2023 compliance engagement. The information has been updated and removed from the lease section of the AFRs.

#### **Regarding Compensation & Benefits:**

Per SBOA, the financial clerk and board do not have to go back to 2019 to make the mentioned payroll process updates that were pointed out during the engagement, however, staff must adhere to some important key points: • Both pages of State payroll form 99 must be used for financial clerk monthly payroll files • The new "additional compensation" vs. "per diem (prior term)" spreadsheet is acceptable for use per SBOA examiners for monthly board payroll. • Payroll taxes have been taken out monthly as of recently from board member additional compensation vs. annually (prior practice). In prior practice, the taxes were taken out annually, but have been and will be taken out monthly going forward.

An updated agreement for the financial clerk and resolution for the board will be reviewed/adopted. This agreement/resolution would clarify which fund the clerk and board payroll is to be paid out of.

The Court Order states the board is not paid per diem, but rather, additional compensation. This change has been addressed and updated within monthly payroll processes. Board members are not required to use the Form 99 per SBOA examiners. However, the additional compensation spreadsheet that board members fill out monthly needs to follow the court order with proper hours per day and dollar amounts denoted on the form.

#### **Regarding Federal & State Agencies – Compliance Requirements:**

It is acceptable to the SBOA examiners that IBCD does not have to go back to 2019 and update payroll records. A revised payroll process with pay period cut offs was implemented. Currently and going forward, IBCD follows: The five board members are also compensated for monthly board meeting participation and any additional executive board meetings as called by the Chairman of the Board as per IC . Payment for meeting participation is made annually. Checks are distributed after the December Board meeting, approximately December 15. Any Board meetings held after December 15 will be reported as income for the following calendar year and will be tracked in that following year's excel file for payroll processes. Board Members must submit a Federal Form W-4 as well as an Indiana WH-4 Withholding form. Board members' compensation is paid from the general fund.

#### **Regarding Ordinances & Resolutions:**

An explicit cutoff date for prepayment discount of \$15 for the annual sewer fee payment will be documented in IBCD's upcoming draft of a new rate ordinance. This prepayment discount date will be 3/31/2025 per the board.

**Regarding Receipt Issuance:**

Staff were not using sequential receipt books in 2019-2020. The staff were keeping “payment coupons” on file. However, the payment coupons are not the same as a receipt. Clerk Holmgren purchased sequentially numbered receipt books and implemented their use. Additionally, Clerk Holmgren utilizes a spreadsheet titled Sewer Payments for each respective calendar year. This spreadsheet includes who paid, how they paid (type of tender), how much they paid, service address, period of service, check # or PayGov credit card notification date, as well as any applicable comments for the payment received. Going forward, IBCD will purchase a more specific receipt format which also has a field for the fund to be written. 98% of IBCD’s receipts are to the sewer utility fund. Additionally, it was recommended by SBOA field examiners that IBCD update some of its in-house spreadsheets in this regard. For instance, combining customer accounts spreadsheet data with the sewer payments spreadsheet data would be very helpful for review and record purposes.

Respectfully Submitted,

George Clem  
Chairman, Indian Boundary Conservancy District