

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

COMPLIANCE ENGAGEMENT REPORT

OF

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT

CLAY COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

11/12/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-9
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	12-13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Director	Jennifer Creager	01-01-20 to 12-31-24
President of the Board of Supervisors	Tim S. Stearley	01-01-20 to 12-31-21
	Matt Mace	01-01-22 to 12-31-23
	Tim S. Stearley	01-01-24 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE CLAY COUNTY SOIL AND WATER
CONSERVATION DISTRICT, CLAY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Clay County Soil and Water Conservation District (District), for the period of January 1, 2020 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 Jennifer Creager, District Director, and Tim Stearley, President of the Board of Supervisors, on October 24, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 27, 2024

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT
COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Internal controls were not in place to ensure that accurate information was entered into the Annual Financial Report (AFR) which is the source of the financial statements. Financial information is required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

Grant Schedule

The District reported in the grant schedule that funds were passed through to a subrecipient, but there were no subrecipients. The subrecipient column was overstated by \$58,063, \$85,606, \$34,758, and \$112,469 for 2020, 2021, 2022, and 2023, respectively.

The total federal awards expended was overstated by \$163,618, \$127,015, \$86,533, and \$265,984 for 2020, 2021, 2022, and 2023, respectively.

Capital Asset Schedule

The District did not have detailed capital asset records to support the Capital Asset Schedule. The schedules for the engagement period could not be verified for accuracy.

Schedule of Payables and Receivables

The Accounts Receivable schedule for 2023 was overstated by \$47,000.

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 as set forth in the uniform compliance guidelines. 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. . . .

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT
COMMENTS
(Continued)

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 OF RECORDS

The same comment also appeared in prior Report B55545.

Condition and Context

Internal controls were not in place to ensure that the District made audit adjustments. The cash balances reported on the Annual Financial Report (AFR), which was the basis for the financial statements, did not agree with the ledger. The ledger contained numerous posting errors that had accumulated over the last several years and had not been corrected. However, the cash balances reported on the AFR were materially correct. A ledger adjustment of \$6,054 was proposed.

Criteria

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. (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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BANK ACCOUNT RECONCILIATIONS

Similar comments also appeared in prior Reports B38142, B40544, and B55545, entitled *BANK ACCOUNT RECONCILIATIONS*; and B48679, entitled *DEPOSITORY RECONCILIATIONS*.

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT
COMMENTS
(Continued)

Condition and Context

Internal controls were not in place to ensure that the District complied with bank reconciliation requirements. Depository reconciliations of the fund balances to the bank account balances were conducted; however, the adjusted bank balance did not agree to the fund balance.

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."

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.

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CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure that the District complied with requirements related to capital assets. The District did not properly maintain a complete inventory of capital assets owned by the District. There were no capital asset records presented for the engagement period. Capital assets reported by the District in the Annual Financial Report were \$39,880, \$39,998, \$40,143, and \$40,166 as of December 31, 2020, 2021, 2022, and 2023, respectively.

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)

CLAY COUNTY SOIL AND WATER CONSERVATION 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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ADOPTION OF, AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure that the District complied with laws regarding internal controls. The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

The District incorrectly certified on the Indiana Gateway for Government Units financial reporting system for each year of the engagement period that the District had adopted internal control standards; however, the District had not adopted 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."

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 as set forth in the uniform compliance guidelines. 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](#)."

CLAY COUNTY SOIL AND WATER CONSERVATION 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

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General Fund	\$ 47,757	\$ 145,225	\$ 139,436	\$ 53,546	\$ 161,112	\$ 125,336	\$ 89,322
Totals	<u>\$ 47,757</u>	<u>\$ 145,225</u>	<u>\$ 139,436</u>	<u>\$ 53,546</u>	<u>\$ 161,112</u>	<u>\$ 125,336</u>	<u>\$ 89,322</u>

CLAY COUNTY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General Fund	\$ 89,322	\$ 60,247	\$ 85,401	\$ 64,168	\$ 163,277	\$ 188,240	\$ 39,205
Totals	<u>\$ 89,322</u>	<u>\$ 60,247</u>	<u>\$ 85,401</u>	<u>\$ 64,168</u>	<u>\$ 163,277</u>	<u>\$ 188,240</u>	<u>\$ 39,205</u>