

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

COMPLIANCE ENGAGEMENT REPORT

OF

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT

DAVIESS COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

06/27/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Philip S. Gabhart	01-01-20 to 12-31-24
President of the District Board	Gary Williams (Vacant) Malcolm E. Baker	01-01-20 to 07-01-22 07-02-22 to 08-03-22 08-04-22 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

TO: THE OFFICIALS OF THE SOUTHEAST DAVIESS FIRE
PROTECTION DISTRICT, DAVIESS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Southeast Daviess Fire Protection 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 Malcolm E. Baker, President of the District Board; Dennis D. Evans, Vice President of the District Board; and Philip S. Gabhart, Fiscal Officer, on June 12, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 9, 2024

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in the noncompliance over capital assets, the certified report, compensation and benefits, contracts, and errors on claims 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. . . ."

CAPITAL ASSETS

Condition and Context

The District followed the capital asset policy adopted by Daviess County (County), which detailed the threshold at which an item is considered a capital asset. However, the District Board did not adopt an ordinance or resolution formally approving the District to follow the County's policy. The District did not maintain a complete detailed listing of all capital assets owned in a subsidiary ledger which reflected their acquisition value. There was also no evidence that the District performed a complete physical inventory of capital assets at least every two years during the engagement period.

Because the District did not maintain a subsidiary capital asset ledger, we were unable to verify the amounts reported in the District's Annual Financial Reports (AFR) in the Indiana Gateway for Government Units financial reporting system for any year of the engagement period. The District reported total capital assets of \$1,133,800 in its 2023 AFR.

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](#)."

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT
COMMENTS
(Continued)

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)

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 Indiana Fire Districts, Chapter 1)

CERTIFIED REPORT

A similar comment appeared in a Management Letter addressed to District Officials for the engagement period ending December 31, 2019.

Condition and Context

The Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100R) was inaccurate. The District reported compensation paid of \$0 in the Forms 100R for each year of the engagement period. The District did not treat its volunteer firefighters or the District Board members as employees, and, therefore, incorrectly excluded them from the Form 100R submissions.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COMPENSATION AND BENEFITS

Condition and Context

The District did not treat its firefighters or the District Board members as employees of the District, and, accordingly, all employees were paid through the District's normal claims process as vendors throughout the engagement period. As a result, the District did not withhold the appropriate taxes or file Forms W-2.

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT
COMMENTS
(Continued)

The District had an unwritten policy of paying the District Board members \$20 per meeting and paying firefighters \$30 per fire and/or medical run. The District did not formalize these amounts through adoption of a salary ordinance, resolution, or salary schedule for any year of the engagement period, with 2021 as the only exception. The District Board did approve the \$30 per run for firefighters per the minutes of the October 2021 District Board meeting.

District Board

The District Board members were paid for the full year prior to the final monthly meeting, resulting in each being paid in advance for services provided in December each year.

The District Board members were paid for meetings that they did not attend each year, resulting in a total overpayment of \$200 for the engagement period.

Firefighters

The District paid 15 firefighters a total of \$5,714 in 2020, 16 firefighters a total of \$5,170 in 2021, and 1 firefighter a total of \$240 in 2022. The District did not provide documentation of the runs made by each of the firefighters for review, so we were unable to determine if they were paid the proper amounts.

In 2022 and 2023, 8 and 6 firefighters, respectively, were underpaid based upon the number of runs made. In 2023, 2 firefighters were each overpaid by \$25 based upon the number of runs made.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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)

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

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT
COMMENTS
(Continued)

CONTRACTS

Condition and Context

The District paid one individual \$31,725 for excavation work in 2021 and paid a second individual \$1,160 for mowing services in 2023. The District did not have a written contract with either individual to support the amounts paid.

Criteria

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)

ERRORS ON CLAIMS

Condition and Context

Errors were identified with 3 of 28 disbursements selected for testing. There was 1 disbursement in the amount of \$500 that was made for which no claim was presented for review. The District was unable to provide supporting documentation, such as a bill or invoice, for review for all 3 disbursements, which totaled \$14,855.

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. . . ."

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

SOUTHEAST DAVIESS FIRE PROTECTION DISTRICT
COMMENTS
(Continued)

Claim Forms - Numbers 99, 99P, 101 and 354

The above numbered claim forms are prescribed for use in supporting disbursements.

. . . and Form 354 for other expenses.

All claims or accounts payable vouchers must be itemized and allowed by a majority of the members of the board before payment by the fiscal officer. Payment of invoices not supported by a duly certified claim or accounts payable voucher is not permissible.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 12)

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)

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

SOUTHEAST DAVIESS FIRE PROTECTION 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	<u>\$ 331,397</u>	<u>\$ 150,891</u>	<u>\$ 64,886</u>	<u>\$ 417,402</u>	<u>\$ 165,094</u>	<u>\$ 349,234</u>	<u>\$ 233,262</u>

SOUTHEAST DAVIESS FIRE PROTECTION 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	<u>\$ 233,262</u>	<u>\$ 166,140</u>	<u>\$ 105,149</u>	<u>\$ 294,253</u>	<u>\$ 172,752</u>	<u>\$ 99,661</u>	<u>\$ 367,344</u>