

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
MERRILLVILLE CONSERVANCY DISTRICT
LAKE COUNTY, INDIANA
January 1, 2011 to December 31, 2014



FILED
01/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Coordinator	Charles J. Stojakovich	01-01-11 to 12-31-15
Financial Clerk	Vickee Edwards	01-01-11 to 12-31-15
Chairman of the Board of Directors	Edward M. Sperka Edward Yerga	01-01-11 to 12-31-12 01-01-13 to 12-31-15



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MERRILLVILLE CONSERVANCY DISTRICT, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Merrillville Conservancy District (District), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 1, 2015

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The Financial Clerk's Surety Bond was insufficient per the Indiana Code. The bond should have been for \$240,000, but the latest bond recorded was for \$120,000. In addition, the Surety Bonds for 2012 through 2015 were not filed or recorded in the Office of the County Recorder.

A Surety Bond for 2011 was not provided.

Indiana Code 14-33-5-18(b) states: "A financial clerk shall execute a surety bond in a manner prescribed by IC 5-4-1."

Indiana Code 5-4-1-18(c)(1) states in part:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee."

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy, or employee . . . "

RECEIPT ISSUANCE

In 2013, the District changed software systems for its recordkeeping. They continued to issue manual receipts at the time of the transaction. However, receipts were not entered into the software system at the time of collection.

Officials made a copy of a manual receipt without a pre-printed receipt number noted on it. A copy of the manual receipt was completed at the time of the transaction. The completed manual receipts were recorded to the software system during the month, but were backdated to match the actual date of the collections. Once the software system generated a receipt number, that receipt number was physically written on the manual receipt.

Furthermore, the manual receipts included the designation of the payment method (i.e. cash, check, money order) but the computerized receipts did not.

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DISBURSEMENT DEFICIENCIES

We noted the following issues regarding the payment of claims:

1. A 2013 Gary Sanitary District (GSD) Capital Cost semi-annual payment of \$265,000 was generated and presented to the Board of Directors. The Board of Directors decided not to remit the payment to GSD for capital costs allocations per an interlocal agreement. The check has not been voided and receipted back into the Debt Service fund. The District is holding the check and it is listed on the outstanding check list as of June 30, 2015.
2. The District overpaid a gas and electric utility invoice by \$10,244 trying to not incur late fees. However, the District incurred and paid late fees totaling \$25.
3. Interest charges of \$26 billed on the credit card were paid by the District.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

The District's governing board did not approve a salary schedule fixing employees' compensation. The Board minutes would reflect an approved percentage increase in compensation; however, a schedule reflecting the increased fixed amounts was not approved or provided.

In addition, during 2011 employees' rates were increased by fifty cents per hour without approval of the increase noted in the Board minutes.

Indiana Code 14-33-5-18 states in part:

"(a) The board may appoint, prescribe the duties, and fix the compensation of the following:

- (1) A secretary.
- (2) A financial clerk.
- (3) An engineer.
- (4) Employees that are necessary for the discharge of duties and responsibilities of the board."

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

CAPITAL ASSETS

The District has not properly maintained a complete inventory of capital assets owned. The 2014 capital asset information was not included in the capital asset schedule. Officials are in the process of entering this information into the new accounting software system.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CREDIT CARD POLICY

The District was using a credit card to make purchases. However, the District's Board of Directors had not approved a credit card policy authorizing the use of a credit card.

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information, and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TRAVEL POLICY

District officials were reimbursed for business-related travel expenses. The District's Board of Directors has not approved a written travel policy. Therefore, we could not verify the validity of travel reimbursements.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes.

Reimbursements for lodging and meals should be based upon actual receipts for amounts paid, unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MERRILLVILLE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CELL PHONE REIMBURSEMENT POLICY

Reimbursements were made to employees for personal cell phone bills without an approved policy by the District's Board of Directors authorizing such reimbursements.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MERRILLVILLE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2015, with Charles J. Stojakovich, District Coordinator; Vickee Edwards, Financial Clerk; Edward Yerga, Chairman of the Board of Directors; and Peggy Mayersky, Billing Clerk.