

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT

STARKE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
02/12/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Todd Lawrence	07-01-10 to 06-30-16
President of the Board	Todd Lawrence	07-01-10 to 06-30-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BAILEY-COX-NEWTSON CONSERVANCY
DISTRICT, STARKE COUNTY, INDIANA

This report is supplemental to our examination report of the Bailey-Cox-Newtson 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 15, 2015

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Conservancy District. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for each fund. Financial ledgers detailing receipts, disbursements, and cash and investment balances by fund were not provided for examination.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. Financial ledgers were not presented for examination; a handwritten checkbook register was provided. Our reconcilements as of December 31, 2011, 2012, 2013, and 2014 agreed to the financial statement balances; however, the checkbook balances exceeded the financial statement balances by \$28, \$1,024, \$1,058, and \$1,058, respectively, for those years.

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."

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the Debt Service fund with an overdrawn cash balance of \$768 at December 31, 2012.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND

The Financial Clerk did not obtain an individual Surety Bond for the period prior to November 22, 2011.

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

Indiana Code 5-4-1-18 states in part:

"(c) 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:

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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. County Auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

APPROPRIATIONS

The records presented for examination indicated that the expenditures of the Cumulative Maintenance fund exceeded the budgeted appropriations by \$1,720 for 2014.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ERRORS ON CLAIMS

A sample of claims identified the following deficiencies:

1. 10 percent of the claims tested did not have adequate supporting documentation due to a "past due" balance being paid with no invoice.
2. 10 percent of the claims tested did not have Board approval.
3. 10 percent of the claims tested for compliance with contract provisions did not have adequate details on the invoice to determine if it was billed according to the contract. The contract stated hourly rates for various employee classifications but the invoice detailed employees and hours without classifications or hourly totals for each classification.

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;

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

COMPENSATION AND BENEFITS

Two part-time employees were paid compensation and benefits. No salary ordinance or resolution or contract was provided for our examination. The compensation and benefits were described as wages at \$10 per hour, trips at \$10 per trip or \$5 per hour, and mileage at \$.60 per mile. Total payments to these two employees were \$3,511 and 2,724, respectively, for the years 2011, 2012, and 2013. No compensation payments were made during 2014.

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)

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2015, with Todd Lawrence, Financial Clerk/President of the Board.