

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
STUCKER FORK CONSERVANCY DISTRICT
SCOTT COUNTY, INDIANA
January 1, 2011 to December 31, 2014



FILED
05/06/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Bank Account Reconciliations	4
Penalties, Interest, and Other Charges	4
Collection of Amounts Due	5
Gasoline Credit Card Internal Controls	5-6
Credit Card Policy.....	6-7
Salary Schedules.....	8
Errors on Claims.....	8
Travel Policy	9
Official Bonds.....	9-10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Executive Officer	Larry McIntosh (Vacant)	01-01-11 to 09-30-12 10-01-12 to 12-31-16
Utility Superintendent	Randy Needler	01-01-11 to 12-31-16
Financial Clerk	Lisa Wheeler	01-01-11 to 12-31-16
President of the Board	John Bard	01-01-11 to 12-31-16



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 STUCKER FORK CONSERVANCY DISTRICT, SCOTT COUNTY, INDIANA

This report is supplemental to our examination report of the Stucker Fork 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

February 17, 2016

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Reconcilements of the depository account balances with the ledger balances were not being regularly performed as required. Monthly bank reconcilements were not presented for examination for the years 2011 and 2014. Reconcilements for the years 2012 and 2013 were prepared, but were incomplete because no investments were included. A review showed that District ledger balances reconciled to the depository accounts at December 31, 2014.

Reconcilements of the Water Utility funds ledger balances with the depository account balances were performed for the years 2011 and 2012; however, the ledger balances did not agree with the depository account balances. The reconcilements showed the Water Utility depository account balances had \$2,875 and \$4,781 more than the ledger balances at December 31, 2011 and 2012, respectively. No reconcilements were performed for the years 2013 and 2014. We attempted to perform reconcilements of the depository account balances with the Water Utility funds ledger balances for the years 2013 and 2014. Based upon the limited information available, reconciling differences of \$8,057 and \$15,405 were identified at December 31, 2013 and 2014, respectively, with the depository account balances reporting more than the ledger balances.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PENALTIES, INTEREST, AND OTHER CHARGES

The Water Utility paid penalties, interest, and other charges during the examination period to the Indiana Department of Revenue in the amount of \$5,391 for failure remit sales tax payments timely.

The Water Utility also paid penalties, interest, and other charges during the examination period for failure to timely remit payroll withholding taxes to the Indiana Department of Revenue in the amount of \$1,083, and to the Internal Revenue Service in the amount of \$496.

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 governmental 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)

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE

The amount of \$3,756 in nonsufficient funds checks (NSF) returned by the depositories was due to the Water Utility as of December 31, 2014. At the end of 2014 and to date, the Water Utility does not have a NSF check policy other than charging the customer a \$25 returned check fee. The NSF checks were not pursued for collection other than a letter being sent to the customer. The NSF checks were not reapplied to the customer accounts and were not being recorded as bad debt in the financial records.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

GASOLINE CREDIT CARD INTERNAL CONTROLS

The District did not have sufficient internal controls over gasoline credit card purchases. Deficiencies identified with controls over the use of gasoline credit cards were as follows:

1. The District did not have a policy addressing the use of credit cards. See Examination Result and Comment titled "Credit Card Policy."
2. Credit cards were given to employees for use; however, the employees did not keep the credit cards in a secure location.
3. A list was not maintained of cards assigned to employees and employees were not required to use only the specific card assigned to them.
4. The District did not require employees to submit receipts documenting purchases. This would ensure purchases shown on the statement were appropriate purchases made by authorized employees.
5. When purchasing gasoline, the employee had the ability to enter odometer readings that could be used by the District to assist in determining reasonableness of purchases. The District did not require this, therefore, it was not done. At the time of the gasoline purchase, the employee was required to enter the employee's radio call number to identify the individual employee making the purchase; however, this was not always entered.
6. Payments were made to the credit card company based upon statements only.

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The weaknesses in internal controls resulted in gasoline purchases being made on the District's credit card that exceeded its credit limit. Upon notification by the credit card company that purchases exceeded the account's credit limit, a detailed review of gasoline purchases for a three month period from April to June 2012 was made by the District. A detailed review of purchases determined that gasoline purchases were being made after business hours. An investigation by the Scott County Sheriff's Office determined that an employee was using various employees' credit cards to purchase gasoline for his personal use, for friends, and for sales to others. In some instances the credit card was being given to individuals who were not employees of the District to purchase gasoline. The Scott County Sheriff's investigation report was turned over to the prosecuting attorney and two individuals were charged with multiple felony counts. In addition, information was turned over to the District's insurance carrier and \$12,751 related to gasoline purchases that were identified as fraudulent during the three month period reviewed were recovered.

In August 2012, after the misuse of the gasoline credit card, the District assigned and maintained a list of credit cards issued to specific employees. In addition, the District adopted a credit card policy. The policy required all purchases must be accompanied by a receipt and submitted to the Financial Clerk within two weeks. If receipts are not turned in to the Financial Clerk within two weeks, the person whose name was on the credit card/charge account would be personally responsible to pay the total amount of the receipt plus finance charges.

A review of credit card payments after the adoption of the credit card policy was performed and problems were identified with payments being made to the credit card company without supporting receipts and employees not being held accountable for the purchases. Odometer readings were not entered at the time of the gasoline purchase to determine reasonableness of purchases. No other system was in place to monitor gasoline purchases made by individual employees to determine if they were appropriate.

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)

CREDIT CARD POLICY

The District was using credit cards to purchase items without an approved credit card policy for the period January 1, 2011 to July 2012. A policy was adopted in August 2012. The Board of Directors approved policy stated that the card holder shall sign a declaration authorizing the District to recover unauthorized charges from the cardholder's salary. However, declarations have not been signed by employees who use the credit cards. A log was not maintained documenting the names of individuals requesting usage of the credit cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

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.

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

The credit card policy adopted by the Board of Directors on August 6, 2012, states in part:

"C. Policy

3. . . . Credit Card/charge account holder will be required to sign a declaration authorizing Stucker Fork District to recover from their salary, an amount incorrectly claimed.
4. Receipts: All credit card/charge account charges must be accompanied by a receipt. Receipts not immediately available MUST be turned into the Financial Clerk's office within two (2) weeks of the date the charge is submitted for reimbursement.
5. Payment: . . . If receipts are not turned in to the Financial Clerk's office within two (2) weeks of the date the charge is submitted for payment, a finance charge will be assessed by the company issuing the credit card/charge account. The person whose name is on the credit card/charge account will be personally responsible to pay the total amount of the receipt plus finance charges."

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALARY SCHEDULES

The District did not properly approve salary schedules documenting approval of compensation paid to Water Utility and District employees for the years 2011, 2013, and 2014. Salary schedules were presented for the years 2013 and 2014; however, there was no indication that these schedules were approved by the Board of Directors. No schedule was presented for examination for 2011.

The salary schedules presented for examination did not include all compensation paid to employees. Additional compensation paid to employees who received training certifications was not included on the schedules provided. The longevity pay shown on the schedules provided did not correspond with the actual amount of longevity paid to employees.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and 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 10)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ERRORS ON CLAIMS

A test of claims identified several deficiencies of improper or inadequate documentation. Of the claims reviewed, 22 percent totaling \$10,423 did not have adequate documentation itemizing the purchases made.

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."

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRAVEL POLICY

The District did not have a formal written travel policy.

Mileage reimbursements were paid to several employees for errands that were run for the Water Utility throughout the day. There was no documentation of the mileage rate approved by the Board of Directors to be reimbursed.

During testing, one petty cash voucher consisted of a handwritten note stating an employee was given \$300 for travel to employee training. No detailed itemized receipts were returned detailing the actual travel expenditures.

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)

All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BONDS

The District and Water Utility did obtain an individual Surety Bond for the Financial Clerk for the periods January 1, 2011 through December 31, 2014, and subsequent to the examination period through January 1, 2016. However, the Financial Clerk's Surety Bonds were insufficient per the Indiana Code based on annual receipts. The Financial Clerk had official bond coverage in the amount of \$60,000 annually, but annual receipts indicate that bond coverage should have been \$180,000 to \$300,000 during that period.

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(c) states:

"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 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).

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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. . . . 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)."

STUCKER FORK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2016, with John Bard, President of the Board; Lisa Wheeler, Financial Clerk; and Randy Needler, Utility Superintendent.