

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
KNAPP LAKE AREA CONSERVANCY DISTRICT
NOBLE COUNTY, INDIANA
January 1, 2016 to December 31, 2016



FILED
11/09/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Finding: Finding 2016-001 Internal Controls over Financial Transactions and Reporting.....	4-5
Corrective Action Plan.....	6
Audit Result and Comment: Late Filing of the Annual Financial Report	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Kreishner Carol Busche	01-15-15 to 10-12-16 10-13-16 to 12-31-17
President of the Board	Dean Bickel	01-01-16 to 12-31-17



STATE OF INDIANA
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TO: THE OFFICIALS OF THE KNAPP LAKE AREA CONSERVANCY
DISTRICT, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the Knapp Lake Area Conservancy District (District), for the period from January 1, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the District, which provides our opinions on the District's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Audit Result and Comment contained herein describes the identified reportable instance 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

September 25, 2017

KNAPP LAKE AREA CONSERVANCY DISTRICT
FEDERAL FINDING

FINDING 2016-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the District related to financial transactions and reporting.

1. A detailed ledger of receipts, disbursements, and balances for the Construction Fund was not maintained. Also, several of the monthly bank reconcilements were not presented for audit.
2. Monitoring of Controls: The District had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the District to monitor and assess the quality of the system of internal control.

Context

The lack of adequate controls and lack of monitoring of controls were systemic issues, which occurred throughout the audit period.

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. . . .

KNAPP LAKE AREA CONSERVANCY DISTRICT
FEDERAL FINDING
(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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the financial statement.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement could have remained undetected.

Recommendation

We recommended that the District's management establish controls to ensure proper financial transactions and reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**KNAPP LAKE AREA CONSERVANCY DISTRICT
PO BOX 185
CROMWELL, IN 46732**

Carol Busche – Treasurer
carolb2130@yahoo.com

September 25, 2017

Corrective Action Plan

Finding 2016-001

Auditee Contact Person

Carol Busche – Treasurer – carolb2130@yahoo.com

Corrective Action:

Status of Finding:

In regards to the Finding on Internal Controls Over Financial Transactions and Reporting the Board of Knapp Lake Area Conservancy District has contracted with another governmental entity to prepare and maintain the financial records for the District. Knapp Lake Area Conservancy District receives monthly financial statements and bank reconcilements which are reviewed and approved at the monthly board meetings.



Carol Busche

Treasurer – Knapp Lake Area Conservancy District

KNAPP LAKE AREA CONSERVANCY DISTRICT
AUDIT RESULT AND COMMENT

LATE FILING OF THE ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2016 was not filed electronically until June 27, 2017, which was 118 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

KNAPP LAKE AREA CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Carol Busche, Treasurer; Dean Bickel, President of the Board; Byron Rothgeb, Board member; and Nicholas Stanger, Board member.