

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
PRETTY LAKE CONSERVANCY DISTRICT
MARSHALL COUNTY, INDIANA
January 1, 2013 to December 31, 2016



FILED
03/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John W. Oliver Jacqueline Wright	01-01-13 to 05-06-15 05-07-15 to 03-31-19
President of the District Board	Erwin D. Marohn John Chamberlin	01-01-13 to 05-06-15 05-07-15 to 03-31-21



STATE OF INDIANA
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TO: THE OFFICIALS OF THE PRETTY LAKE CONSERVANCY
DISTRICT, MARSHALL COUNTY, INDIANA

This report is supplemental to our examination report of the Pretty Lake Conservancy District (District), for the period from January 1, 2013 to December 31, 2016. 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

January 29, 2018

PRETTY LAKE CONSERVANCY DISTRICT
EXAMINATION RESULT AND COMMENT

INTERNAL CONROLS

Internal Controls over Financial Reporting

The District had not established a proper system of internal controls to prevent, or detect and correct, errors on the financial statements. The District hired an accountant who independently prepared the financial statements for inclusion into the Annual Financial Report submitted into the Indiana Gateway for government units portal without any oversight, review, or approval process to verify the accuracy of the information and amounts.

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. . . ."

Adoption and Training of Internal Control Standards

The District had not adopted the minimum internal control standards or received training per Indiana Code 5-11-1-27(g).

PRETTY LAKE CONSERVANCY DISTRICT
EXAMINATION RESULT AND COMMENT
(Continued)

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Certification on Internal Control Standards

The District filed certifications with the Indiana State Board of Accounts that the District had adopted internal control standards, and that personnel had received training; however, the information was incorrect. The District had not adopted internal control standards or received training.

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7."

PRETTY LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2018, with John Chamberlin, President of the District Board; Jacqueline Wright, Treasurer; and Stephen Carter, Accountant.