

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, 2015 to December 31, 2017



FILED
09/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utility Superintendent	Randy Needler	01-01-15 to 12-31-18
Financial Clerk	Lisa Wheeler	01-01-15 to 12-31-18
President of the District Board	John Bard	01-01-15 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE STUCKER FORK CONSERVANCY
DISTRICT, SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of the Stucker Fork Conservancy District (District), for the period from January 1, 2015 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Audit 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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 5, 2018

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B46291.

Reconcilements of the depository account balances with the ledger balances for the Water Utility funds were not regularly performed as required. The District contracted with a certified public accounting (CPA) firm during 2017 to reconcile some of the accounts as follows:

1. 2015 - Reconcilements prepared by the CPA firm were presented for the Water - Operating bank account, but none were presented for the Water Meter Deposits bank account. Adjustments were made to correct the December 31, 2015 Water - Operating balance by \$78,616. However, the reconcilement for the Water - Operating account did not recognize a certificate of deposit held at that time in the amount of \$131,309. In addition, the petty cash ledger account balance in the amount of \$1,000 was included in the record balance, but not added to the bank total. This resulted in a variance of \$132,309 for the Water - Operating account. Audit adjustments were proposed, accepted by the District, and made to the financial statement.
2. 2016 - During 2016, the District opened new bank accounts at New Washington State Bank (NWSB) for the Water - Operating and Water - Meter Deposits funds. Monthly reconcilements for the NWSB Meter Deposit account were prepared by the Financial Clerk beginning in July 2016. A reconcilement prepared by the CPA firm was presented for the old Water - Operating account at Wesbanco, but the record balances used did not match the ledger balances provided for audit as of December 31, 2016. No reconcilements were presented for the old Wesbanco Meter Deposit account or the new NWSB Water - Operating account for December 31, 2016.
3. 2017 - Reconcilements were presented for all Water Utility bank accounts, with the NWSB Meter Deposit account being prepared by the Financial Clerk and the other three accounts being reconciled by the CPA firm. The Wesbanco Meter Deposit account reconcilement indicated an unidentified amount of \$16,670. However, we noted that operating collections of \$11,158 were deposited in this account in error on October 5, 2015. The NWSB Water - Operating account indicated a variance of \$800.

Bank reconcilements for the District bank accounts for the years 2015, 2016, and 2017 were prepared monthly, but were incomplete because investments were not included. Also, we noted an electronic funds transfer was shown among the outstanding checks that actually cleared from the Water - Operating account.

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 must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for audit were incomplete. Financial ledgers were not maintained for the Rainy Day, Cumulative Maintenance, and Prepaid Flood funds. The financial ledgers did not report individual fund investments held for these individual funds. Investment registers maintained were incomplete and not maintained up to date.

A certificate of deposit originally purchased in November 2010, for \$33,391, was incorrectly reported as part of the Rainy Day fund in the Annual Financial Reports (AFR) for the years 2015 through 2017. The monies originally associated with this investment were from the Cumulative Maintenance fund.

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 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The District had not established and implemented a proper system of internal controls over financial transactions and reporting as follows:

Cash and Investments

Controls over the reconciliation of the bank accounts were not adequate. The reconciliements prepared were not reviewed or approved by someone other than the individual that prepared them.

Receipts

Policies and procedures were not adequate to ensure that water utility collections on customer accounts recorded in the accounts receivable billing system and the related bank deposits agreed with the amounts recorded in the ledger. There was no documentation available to indicate any review or approval process.

Financial Close and Reporting

The District contracted with a CPA firm to prepare their AFR submitted through the Indiana Gateway for Government Units financial reporting system. There were no controls in place to verify the financial information compiled for the AFR prior to submission.

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:

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

DEPOSITS

Receipts were not always deposited in the same form as received. The composition of cash and checks for three of eleven deposits tested did not match the breakdown indicated on the receipts.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

OFFICIAL BOND COVERAGE

A similar comment also appeared in prior Report B46291, entitled *OFFICAL BONDS*.

The District did obtain an individual Surety Bond for the Financial Clerk for the periods January 1, 2015 through December 31, 2017, and subsequent to the audit period through January 1, 2019. 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 \$210,000 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(e) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . 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. . . ."

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING

The District did not adopt the minimum internal control standards as defined by the Indiana State Board of Accounts. The District also did not provide training on internal control standards.

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."

UTILITY COLLECTIONS - RETENTION OF BILLING STUBS

The paid billing stubs representing receipt of payment from customers were not retained for audit.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied'
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

STUCKER FORK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Lisa Wheeler, Financial Clerk; Randy Needler, Utility Superintendent; and John Bard, President of the District Board.