

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WILDWOOD DAM CONSERVANCY DISTRICT
MORGAN COUNTY, INDIANA
January 1, 2013 to December 31, 2017



FILED
10/26/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Claire Farrand	01-01-13 to 12-31-18
President of the District Board	Karla Hench	01-01-13 to 12-31-18



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 WILDWOOD DAM CONSERVANCY
DISTRICT, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Wildwood Dam Conservancy District (District), for the period from January 1, 2013 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 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 Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

September 25, 2018

WILDWOOD DAM CONSERVANCY DISTRICT
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The District had not established an adequate internal control structure related to financial transactions and reporting. The District had not separated incompatible activities related to cash and investments, receipts, and financial reporting.

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 receipts received, and related deposits to the bank account, agreed with the amounts recorded in the ledger. There was no documentation presented to indicate any type of review or approval process.

Financial Reporting - The Treasurer prepared the Annual Financial Reports, which were the source of the financial statements, submitted through the Indiana Gateway for Government Units financial reporting system, without an oversight or review process.

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. . . ."



October 1, 2018

To State Board of Accounts,

The Wildwood Dam Conservancy District Board would like to officially respond to the report communicating internal control related matters identified in our recent 2013-2017 audit. We understand that there were no findings, corrections, or actions pertaining to the actual records from 2013-2017. However, there were control deficiencies that require action from the board.

We take the significant deficiency in internal controls listed seriously, and during our exit interview, our Financial Clerk and President discussed the following remedies with the SBOA Audit team.

Finding: Cash and Investments – Controls over the reconciliation of bank accounts was not adequate as the reconciliations prepared were not reviewed or approved by someone other than the individual preparing them.

Remedy: The financial clerk will provide the reconciliation spreadsheet with fund totals, bank statement, and check images from the bank statement to the board monthly and the Treasurer or President will respond via email with an approval.

Finding: Receipts – Policies and procedures were not adequate to ensure that receipts received, and the related deposits to the bank account agree with the amounts recorded in the ledger. There was no documentation available to indicate any type of review or approval process.

Remedy: The financial clerk will copy the checks received (usually 2 per year from the Morgan County Treasurer) and provide those copies, along with the bank statement, during the monthly reconciliation communication. The Treasurer or President will respond via email with an approval of the deposit documentation.

Finding: Financial Close and Reporting – The Annual Financial Reports submitted through the Indiana Gateway for Governmental Units should be approved by a board member that did not prepare the report.

Remedy: The financial clerk will prepare the Annual Financial Report and provide it to the board for their review prior to submitting it to the SBOA. The Treasurer or President will respond via email with an approval of the report contents. Any board member may request further documentation or clarification during the review process.

We hope our quick assessment and proposed remedies will assure those reviewing the Audit findings that we take the results seriously and are committed to the quality and implementation of appropriate internal controls.

Sincerely,

Handwritten signature of Karla Hench in cursive.

Karla Hench, President

Handwritten signature of Gary Burns in cursive.

Gary Burns, Treasurer

Handwritten signature of Claire Farrand in cursive.

Claire Farrand, Financial Clerk

WILDWOOD DAM CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2018, with Claire Farrand, Financial Clerk, and Karla Hensch, President of the District Board.