

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

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



FILED
11/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Nellie Bigley	01-01-13 to 05-14-13
	Jesse Hubbard	05-15-13 to 06-12-13
	Kelly Stege	06-13-13 to 12-31-18
President of the District Board	Jesse Hubbard	01-01-13 to 02-01-17
	Jennifer Staggs	02-02-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE EDGEWOOD CONSERVANCY
DISTRICT, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the Lake Edgewood Conservancy District (District), for the period from January 1, 2014 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any and 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

October 18, 2018

LAKE EDGEWOOD CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The District has 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 reconciliations prepared were not reviewed or approved by someone other than the individual that prepared them.

Receipts - Policies and procedures are 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 available to indicate a review or approval process.

Disbursements - Controls over disbursements were not adequate. Checks disbursed from the District were not all signed by a District Board member other than the Fiscal Clerk.

Financial Close and 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. . . ."

TRANSACTION RECORDING

The financial statements included transactions for the loan obtained for lake sediment removal, which were not posted in the ledger. Further investigation revealed that the loan proceeds were not deposited to the District's bank account and disbursements were made directly to the vendor from the bank.

LAKE EDGEWOOD CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts of Indiana, Chapter 1)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts of Indiana, Chapter 1)

DEPOSITS

Three of the ten receipts tested were not deposited timely. These receipts totaled \$139,396 and were deposited between 15 and 19 days after the check date. These deposits were for local property taxes.

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

A late charge in the amount of \$363 was paid on July 22, 2015, to a financial institution for late payment on an outstanding loan.

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)



Lake Edgewood
Conservancy District

P.O. BOX 1931
Martinsville, IN 46151

"OFFICAL RESPONSE"

October 23, 2018

Ms. Lori Burch
State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2769

Dear Ms. Burch,

Thank you to you and Samuel Wilson for your patience, time and energy reviewing our financial records during our audit of records for the Lake Edgewood Conservancy District from January 1, 2013 to December 31, 2017. Per our signed acknowledgement during our exit meeting with Sam, Chairman Jennifer Staggs and Financial Clerk Kelly Stege would like to submit and official response to the findings.

Official Bond Recording – We recognize this Liberty Mutual bond was not recorded. We now know this is a requirement and will record the bond # 5104666 before the end of October and will record the replacement policy once available.

Internal Controls –

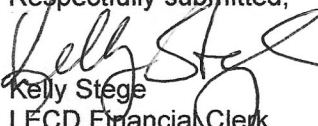
- A. Cash and Investments. Reconciliation of bank accounts created by O.W. Krohn will be reviewed at the meetings of the LECD Board and we will retain a copy going forward of approval.
- B. Receipts and related deposits approval process. We will develop a more robust procedure such as a second signature on deposits to ensure deposits agree with the ledger.
- C. Missing disbursements signatures. Claims are always signed by 2 persons. Checks have duplicates that did not always have the second signature on them in efforts to speed up the process in getting claims paid/mailed in a timely manner. As a volunteer board getting checks for the second signature is not always immediately available, However our account is set up to require 2 signatures and would not be payable any other way. Going forward if both signatures cannot be made in the checkbook, a copy of the downloaded check image from Home Bank online will be attached the check register carbon copy.
- D. Financial Close and annual report oversight. In compliance of separations of duties, O.W. Krohn, our financial services provider, prepares the AFR. The financial clerk reviews and submits to Gateway. We will set a control to have the Board review as well and provide a signature approval to be retained in files. With the exception of the 2017 AFR, when it was no longer required, an attestation form had been submitted to SBoA by the financial clerk verifying that the annual report was accurate and agreed with the financial statements.

Recording –

- A. Sediment removal postings and disbursements. For future reference, on such special projects we will deposit loan proceeds and write checks for disbursements thus creating recording in the ledger.
- B. Timely Deposits of all receipts will be made per Indiana code 5-13-6-1(c). Our Property taxes are mailed to a PO Box that is not checked daily. We will inquire about having funds deposited through ACH or make all efforts to track when Levy checks are created going forward to ensure they are deposited promptly.

Penalties, Interest and Other Charges – A late payment in the amount of \$362.53 was made on July 22, 2015 for the sediment management project. This initial payment did not have a statement, but only an email and was simply an oversight and corrected as soon as we were made aware. We will review the accounting and Uniform Compliance Guidelines Manual and will continue to pay claims in a timely fashion.

Respectfully submitted,


Kelly Stege
LECD Financial Clerk
Cc: Chairman Jennifer Staggs

LAKE EDGEWOOD CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2018, with Kelly Stege, Financial Clerk, and Jennifer Staggs, President of the District Board.