

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

COMPLIANCE REPORT
OF
MARION HEIGHTS CONSERVANCY DISTRICT
VIGO COUNTY, INDIANA
January 1, 2008 to July 31, 2014



FILED
01/02/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Amy R. Mason	01-01-08 to 07-31-14
Treasurer	Jerry Heffernan	01-01-08 to 07-31-14
President of the District Board	Helen Ruhl	01-01-08 to 07-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MARION HEIGHTS CONSERVANCY
DISTRICT, VIGO COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Marion Heights Conservancy District (District), for the period January 1, 2008 to July 31, 2014, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

The District's Annual Financial Reports filed for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/. For years 2011 and later, the Annual Financial Reports filed by the District can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

August 21, 2018

**MARION HEIGHTS CONSERVANCY DISTRICT
RESULTS AND COMMENTS**

BACKGROUND

On May 6, 2010, the Vigo Circuit Court (Court) ordered, adjudged, and decreed that the District was no longer a benefit. The District was to be purchased by a private water utility company. The Court ordered the District to pay off any debt and distribute any sales proceeds remaining to eligible customers. The Court ordered the District to remit an accounting and all its records to the Court upon retirement of its debt and disbursements of remaining proceeds. On March 7, 2014, the Court found that the District had failed to remit an accounting and provide all records under the previous order. A final report and a supplemental final report were filed with the Court on May 5, 2014, and July 25, 2014, respectively.

Per a conversation with a District Board member, most of the District's records were destroyed and, therefore, a final close out financial statement examination could not be performed. Subpoenaed bank statements were obtained for review.

QUESTIONED COSTS - DISBURSEMENTS

Bank records indicate the District had a cash balance of \$604,506 after \$899,985 was received for the sale of the utility and \$591,911 was paid in outstanding debt. Customer distributions totaling \$582,891 were paid out, leaving \$21,615 in the District's bank account. The remaining money was disbursed from August 2011 to July 2014, as shown in the schedule below:

<u>Date Written</u>	<u>Date Cleared</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Recipient Position</u>	<u>Disbursement Purpose</u>
08-26-11	08-29-11	11389	Amy Mason	\$ 150.00	employee	unknown
08-26-11	09-07-11	11390	Jerry Heffeman	150.00	District Board member	unknown
08-26-11	08-26-11	11391	Helen Ruhl	150.00	District Board member	unknown
08-29-11	08-31-11	11392	Amy Mason	200.00	employee	unknown
08-29-11	09-15-11	11393	Jerry Heffeman	200.00	District Board member	unknown
08-29-11	08-31-11	11394	Helen Ruhl	200.00	District Board member	unknown
08-31-11	08-31-11	11395	Amy Mason	25.00	employee	unknown
08-31-11	09-07-11	11396	Jerry Heffeman	25.00	District Board member	unknown
08-31-11	08-31-11	11397	Helen Ruhl	25.00	District Board member	unknown
09-02-11	09-07-11	11398	Amy Mason	130.00	employee	unknown
09-02-11	09-23-11	11399	Jerry Heffeman	130.00	District Board member	unknown
09-02-11	09-06-11	11400	Helen Ruhl	130.00	District Board member	unknown
02-23-12			First Financial Bank	50.00	bank	safe deposit box
06-27-12	06-28-12	11401	Jerry Heffeman	100.00	District Board member	unknown
06-27-12	08-15-12	11402	Brian Harris	100.00	unknown	unknown
06-27-12	07-02-12	11403	Arthur Harrold	100.00	unknown	unknown
06-27-12	07-02-12	11404	Tom McKinney	100.00	unknown	unknown
06-27-12	06-28-12	11405	Helen Ruhl	100.00	District Board member	unknown
06-27-12	06-28-12	11406	Amy Mason	100.00	employee	unknown
08-15-12	09-12-12	11407	Sisters of Providence	350.00	not-for-profit	golf outing
08-15-12	09-12-12	11408	Sisters of Providence	350.00	not-for-profit	golf outing
01-29-13	01-30-13	11409	Tom McKinney	200.00	unknown	unknown
01-29-13	02-20-13	11410	Brian Harris	200.00	unknown	unknown
01-29-13	01-30-13	11411	Arthur Harrold	200.00	unknown	unknown
01-29-13	01-31-13	11412	Jerry Heffeman	200.00	District Board member	unknown
01-29-13	01-31-13	11413	Helen Ruhl	200.00	District Board member	unknown
01-29-13	01-30-13	11414	Amy Mason	200.00	employee	unknown
01-29-13	01-31-13	11415	Fords Black Angus	1,129.05	restaurant	unknown
02-05-13	02-06-13	11416	Helen Ruhl	250.00	District Board member	unknown
02-06-13	02-07-13	11417	Jerry Heffeman	250.00	District Board member	unknown
02-25-13			First Financial Bank	50.00	bank	safe deposit box
03-12-13	03-15-13	11418	Helen Ruhl	450.00	District Board member	unknown
03-12-13	03-13-13	11419	Jerry Heffeman	450.00	District Board member	unknown
04-02-13	04-02-13	11420	Helen Ruhl	550.00	District Board member	unknown
04-02-13	04-02-13	11421	Jerry Heffeman	550.00	District Board member	unknown
04-17-13	05-09-13	11422	Ivy Tech Foundation	500.00	not-for-profit	unknown
05-28-13	05-30-13	11423	Helen Ruhl	500.00	District Board member	unknown
05-28-13	05-30-13	11424	Jerry Heffeman	500.00	District Board member	unknown

**MARION HEIGHTS CONSERVANCY DISTRICT
RESULTS AND COMMENTS
(Continued)**

<u>Date Written</u>	<u>Date Cleared</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Recipient Position</u>	<u>Disbursement Purpose</u>
08-31-13	09-12-13	11425	Sisters of Providence	350.00	not-for-profit	golf outing
06-10-13	08-05-13	11426	Emanuel United Methodist	1,000.00	not-for-profit	unknown
06-01-13	06-10-13	11427	Helen Ruhl	500.00	District Board member	unknown
06-01-13	06-10-13	11428	Jerry Heffernan	500.00	District Board member	unknown
08-21-13	08-21-13	11429	Helen Ruhl	500.00	District Board member	unknown
08-21-13	08-21-13	11430	Jerry Heffernan	500.00	District Board member	unknown
09-04-13	09-04-13	11431	Helen Ruhl	600.00	District Board member	unknown
09-04-13	09-04-13	11432	Jerry Heffernan	600.00	District Board member	unknown
09-19-13	09-19-13	11433	Helen Ruhl	500.00	District Board member	unknown
09-20-13	09-20-13	11434	Jerry Heffernan	500.00	District Board member	unknown
11-06-13	11-20-13	11435	Emmanuel Umc	1,000.00	not-for-profit	unknown
11-06-13	11-08-13	11436	Helen Ruhl	700.00	District Board member	unknown
11-06-13	11-07-13	11437	Jerry Heffernan	700.00	District Board member	unknown
12-05-13	12-05-13	11438	Jerry Heffernan	700.00	District Board member	unknown
12-05-13	12-05-13	11439	Helen Ruhl	700.00	District Board member	unknown
02-17-14	02-21-14	11440	Helen Ruhl	500.00	District Board member	unknown
02-17-14	02-18-14	11441	Jerry Heffernan	500.00	District Board member	unknown
02-24-14			First Financial Bank	50.00	bank	safe deposit box
02-28-14			First Financial Bank	10.00	bank	service fee
03-31-14			First Financial Bank	10.00	bank	service fee
04-30-14			First Financial Bank	10.00	bank	service fee
05-30-14			First Financial Bank	10.00	bank	service fee
06-25-14	06-27-14	11442	Larry Wagner	400.00	attorney	unknown
06-30-14			First Financial Bank	10.00	bank	service fee
07-09-14	07-15-14	11443	Emmanuel Umc	471.61	not-for-profit	unknown
		11444*	Sisters of Providence	1,050.00	not-for-profit	golf outing
Total				<u><u>\$ 21,615.66</u></u>		

*Per First Financial Bank, check did not clear so they got a cashier's check made out to Sisters of Providence.

We question if the disbursements shown above are in compliance with the Court's order of how the District's money was to be distributed. Payments were made to District Board members, employees, the District attorney, the District bank, and not-for-profit entities with no supporting documentation provided. Therefore, we cannot determine the validity of the disbursements.

This report will be forwarded to the Attorney General's office to determine further action, which may include filing with the Court about the questioned disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECORDS RETENTION

All accounting and records of the District were supposed to be remitted to the Court upon retirement of its debt and disbursements of remaining proceeds. The records listed below were not available at the Court or presented for examination:

MARION HEIGHTS CONSERVANCY DISTRICT
RESULTS AND COMMENTS
(Continued)

Bank statements
Bank reconcilements
Ledger of Receipts, Disbursements, and Balances
Utility records including:
 billing reports
 receipts/payments/collections
 customer account information
Board minutes
Payroll records including:
 salary schedules
 Employee Service Records
 tax information
 W2s or 1099s
Checks
Supporting documentation for disbursements

Bank statements were obtained by the Indiana State Board of Accounts from the financial institution.

Indiana Code 5-14-3-4(h)(1) states in part: "public records subject to IC 5-15 may be destroyed only in accordance with record retention schedules under IC 5-15 . . ."

ANNUAL FINANCIAL REPORT

The District did not file an Annual Financial Report for 2008, 2009, 2010, 2011, 2012, 2013, and 2014.

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."

***CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND
COMPENSATION OF PUBLIC EMPLOYEES (FORM 100-R)***

The District did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for the years 2011, 2012, 2013, and 2014.

MARION HEIGHTS CONSERVANCY DISTRICT
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1(a) states:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under Indiana Code 5-14-3.8-7."

INTERNAL CONTROLS

Internal controls were not in place over the sale and dissolution of the District. The officials of the District did not have proper oversight to ensure that the proceeds from the sale of the utility were allocated according to the Court order and that the records were submitted to the Court.

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. . . ."

MARION HEIGHTS CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2018, with Helen Ruhl, former President of the District Board.