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January 10, 2019

Board of Directors
Tri-County Conservancy District
P.O. Box 34297
Indianapolis, IN 46234

This report is supplemental to the audit report of the Tri-County Conservancy District (District), for the period from January 1, 2016 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an 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 engaged private examiners under our review to perform the audit of the District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for Tri-County Conservancy District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2017. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two Examination Findings and Results. Management's response may be found on page 5.

The report is filed with this letter in our office as a matter of public record.

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

**COMPLIANCE EXAMINATION OF
TRI-COUNTY CONSERVANCY DISTRICT**

Morgan County, Indiana
January 1, 2016 to December 31, 2017

TRI-COUNTY CONSERVANCY DISTRICT

Morgan County, Indiana
January 1, 2016 to December 31, 2017

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TRI-COUNTY CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2016 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	David K. Pasotti	01-01-16 to 12-31-17
President of the Board of Directors	Tim Shrout	01-01-16 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Tri County Conservancy District

We have examined Tri County Conservancy District's ("Unit") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2016, to December 31, 2017. Management of the Unit is responsible for the Unit's compliance with the specified requirements. Our responsibility is to express an opinion on the Unit's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Unit complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Unit complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the Unit's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the Unit during the period January 1, 2016 to December 31, 2017, as described in items 2018-001 and 2018-002 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Unit complied, in all material respects, with the aforementioned requirements during the period January 1, 2016 to December 31, 2017.

The Unit's responses to the findings identified in our examination are described in the accompanying Schedule of Examination Findings and Results. The Unit's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on them.


Crowe LLP

Indianapolis, Indiana
November 30, 2018

TRI-COUNTY CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2016 to December 31, 2017

FINDING 2018-001: MATERIALITY THRESHOLD

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

Condition: During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

FINDING 2018-002: MINIMUM LEVEL OF INTERNAL CONTROLS

Criteria: 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. . . .*"

Condition: During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

TRI-COUNTY CONSERVANCY DISTRICT
EXIT CONFERENCE
January 1, 2016 to December 31, 2017

The contents of this report were discussed on November 30, 2018, with Beverly Nead and Thomas Comisso, External Accountants, David Pasotti, Financial Clerk, and David Smith, Board Member. The officials acknowledged the findings. The Official Response has been made a part of this report and may be found immediately following the findings on the previous page.

TRI-COUNTY CONSERVANCY DISTRICT
OFFICIAL RESPONSE
TO THE COMPLIANCE EXAMINATION FINDINGS AND RESULTS
FOR THE EXAMINATION PERIOD JANUARY 1, 2016 THROUGH DECEMBER 31, 2017

FINDING 2018-001: MATERIALITY THRESHOLD FOR REPORTING IRREGULAR VARIANCES, LOSSES, SHORTAGES, AND THEFTS

Condition: During testing, we (Crowe LLP) noted that the Unit had not adopted a materiality threshold for the period under audit.

Response: While the Unit does not currently have a written materiality threshold policy, all financial disbursements are reviewed and approved by the Financial Clerk and/or the Board. There were no irregular variances, losses, shortages, or thefts to report for the period under audit.

Remedy: The Unit will establish a written materiality threshold policy, which will be put before the Board for approval and adoption through ordinance or resolution.

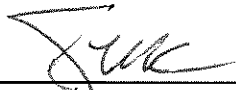
FINDING 2018-002: MINIMUM LEVEL OF INTERNAL CONTROLS

Condition: During testing, we (Crowe LLP) noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal control standards.

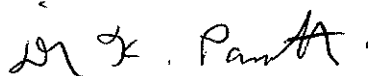
Response: While the Unit does not currently have a written internal control policy, the Unit does follow internal control criteria. For example, all disbursements are approved by the Financial Clerk prior to payment and all claim sheets are approved by the Board, and bank reconciliations are prepared monthly. There is a clear segregation of duties: separate individuals are responsible for maintaining accounts receivables and accounts payables, making bank deposits, and preparing bank reconciliations.

Remedy: The Unit will establish a written minimum standards of internal control policy, which will be put before the Board for approval and adoption.

Respectfully submitted,



Tim Shrout, President, Board of Directors



David K. Pasotti, Financial Clerk

November 30, 2018