



STATE OF INDIANA
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March 11, 2019

Board of Directors
Waldron Conservancy District - Water Utility
P.O. Box 242
205 West Washington St
Waldron, IN 46182

This report is supplemental to the audit report of the Waldron Conservancy District - Water Utility (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 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 Waldron Conservancy District - Water Utility prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2015 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. Pages 3 and 4 contain six 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
WALDRON CONSERVANCY DISTRICT**

Shelby County, Indiana
January 1, 2015 to December 31, 2017

WALDRON CONSERVANCY DIST-WATER UTILITY

Shelby County, Indiana
January 1, 2015 to December 31, 2017

CONTENTS

SCHEDULE OF OFFICIALS 1

INDEPENDENT ACCOUNTANT'S REPORT 2

SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:

 2018-001: BANK ACCOUNT RECONCILIATION REVIEW 3

 2018-002: APPROVAL OF SALARIES AND WAGES 3

 2018-003: ANNUAL FINANCIAL REPORT ADJUSTMENTS..... 3

 2018-004: MATERIALITY THRESHOLD 3

 2018-005: MINIMUM LEVEL OF INTERNAL CONTROLS 4

 2018-006: ANNUAL FINANCIAL REPORT 4

EXIT CONFERENCE 5

WALDRON CONSERVANCY DIST-WATER UTILITY
SCHEDULE OF OFFICIALS
January 1, 2015 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Joe Runnebohm	01-01-15 to 12-31-17
Superintendent	Ronald Fuchs	01-01-15 to 12-31-17
President of the Board	Bruce A. Kuhn	01-01-15 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Waldron Conservancy District

We have examined Waldron 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, 2015 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, 2015 to December 31, 2017, as described in items 2018-001 through 2018-006 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, 2015 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
December 17, 2018

WALDRON CONSERVANCY DIST-WATER UTILITY
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-001: BANK ACCOUNT RECONCILIATION REVIEW

Criteria: 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."

Condition: During testing, we noted the Unit did prepare bank reconciliations on at least a monthly basis. However, we noted no formal review process over these reconciliations.

FINDING 2018-002: APPROVAL OF SALARIES AND WAGES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, "All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements"

Condition: During testing, we noted that during 2015 a staff member was being paid an additional 25 cents (\$13.00) per pay check. We noted per review of the approved 2014 August minutes that this staff member should have been paid \$12.75 for the year 2015 but was actually being paid \$13.00. Management noted that at the start of 2015 the Superintendent set up payroll registers with a \$13.00 per hour rate for office staff. The office staff didn't go back to the minutes to confirm this rate and was under the assumption that this was correct. During 2015 the board realized that the incorrect amount was being paid, and elected to continue to make the \$13.00 payments for 2015 and readjust the increase that would be provided for 2016.

FINDING 2018-003: ANNUAL FINANCIAL REPORT ADJUSTMENTS

Criteria: 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."

Condition: During testing, we noted that the 2015 Annual Financial Reports submitted had not be properly verified and reconciled to ensure accuracy. Crowe noted a significant variance between the ending 2014 cash balance and the initial beginning 2015 cash balance reported on the annual financial report submitted to Gateway. An entry was posted to correct the beginning balance of the 2015 Annual Financial Report.

FINDING 2018-004: 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.

WALDRON CONSERVANCY DIST-WATER UTILITY
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-005: 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 has no formal documentation of the implementation of a minimum level of internal controls standards.

FINDING 2018-006: ANNUAL FINANCIAL REPORT

Criteria: 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."

Condition: During testing, we noted that the 2015 and 2017 Annual Financial Reports were not submitted within 60 days after the close of the previous fiscal year. The 2015 Annual Financial Report was submitted on March 3, 2016, 3 days after the due date. The 2017 Annual Financial Report was submitted on April 30, 2018. This same comment also appeared in prior State Board of Accounts report B45903.

WALDRON CONSERVANCY DIST-WATER UTILITY
EXIT CONFERENCE
January 1, 2015 to December 31, 2017

The contents of this report were discussed on December 17, 2018, with Kim McCrary, Financial Clerk, Ronald Fuchs, Superintendent, and Bruce Kuhn, President of the Board. 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.

Waldron Conservancy District

P.O. Box 242 / 205 W. Washington St.
Waldron, IN 46182
Phone 765-525-9696 Fax 765-525-9083
PWSID 5273006

January 9, 2019

SBOA
and
Crowe LLP
Chris Dukate
Max Walton

The following is our CAP, in response to the items addressed in the compliance report.

Bank Account Reconciliation Review – All bank accounts are reconciled monthly, when our bank statements are available. Once the reconciliation is completed by our office manager, the superintendent will review and approve the reconciliation.

Approval of salaries and wages – The superintendent sets up the payroll register and unintentionally got the office manager's pay at \$13.00 per hour, instead of \$12.75. Starting in 2016, both the superintendent and office manager check the payroll register at the beginning of each year to make sure the pay rates are accurate.

Annual Financial Report Adjustments – As stated in the compliance report, the error was found and an adjustment made to correct the discrepancy between the 2014 ending balance and beginning 2015 balance. The office manager will make every effort to keep errors from occurring on future annual reports. The office manager has already started working with Keystone/Key Fund, to help keep these errors from occurring in the future.

Minimum Level of Internal Controls – The conservancy district board of directors reviewed Uniform Internal Control Standards and approved our policy on October 5, 2016. We have not experienced any problems since then. The board does discuss and evaluate all aspects of the conservancy business. A copy of our adopted resolution on SBOA minimum level of internal control standards is attached to this email. The resolution will be placed in a 3 ring binder with our other policies that we will be adopting, so that it is easily accessible.

Sincerely,

Ron Fuchs
Kim McCrary
Waldron Conservancy District