



STATE OF INDIANA
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March 28, 2019

Board of Directors
Blue Lake Conservancy District
7490 East 550 North, P.O. Box 174
Churubusco, IN 46723

This report is supplemental to the audit report of the Blue Lake Conservancy District (District), for the period from January 1, 2017 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 Blue Lake Conservancy District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 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 through 5 contain nine Examination Findings and Results. Management's response may be found on pages 7 through 9.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**COMPLIANCE EXAMINATION OF
BLUE LAKE CONSERVANCY DISTRICT**

Whitley County, Indiana
January 1, 2017 to December 31, 2017

BLUE LAKE CONSERVANCY DISTRICT

Whitley County, Indiana
January 1, 2017 to December 31, 2017

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BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2017 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jerry R. Working	01-01-17 to 12-31-17
Financial Clerk	Sue Hamilton	01-01-17 to 12-31-17
President of the Conservancy District Board	Ronald N. Rennaker	01-01-17 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Blue Lake Conservancy District

We have examined Blue Lake 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, 2017 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, 2013 to December 31, 2017, as described in items 2018-001 through 2018-007 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, 2017 to December 31, 2017.

The results of our examination procedures disclosed instances of noncompliance which are described in the accompanying Schedule of Examination Findings and Results as items 2018-008 and 2018-009. Our opinion is not modified with respect to the matters reported in findings 2018-008 and 2018-009.

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


Crowe LLP

Indianapolis, Indiana
December 21, 2018

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-001: MISSTATEMENT OF CASH

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, *“At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.”*

Condition: During testing, we noted several misstatements of cash listed below. We noted these misstatements were due to management recording several receipts and disbursements twice in the Annual Financial Report.

- The opening 2017 cash balance was overstated by \$113,763. The opening balances of the Sinking Fund and Operating Fund were decreased by \$11,797 and \$101,966, respectively, to correct this error.
- The ending balance of 2017 cash was understated due to the duplication of receipts and disbursements on the Annual Financial Report. To correct this, penalties and other receipts were decreased by \$3,918 and \$14,058, respectively. Additionally, supplies were decreased by \$35,572. After posting these correcting entries, cash was understated by \$3,554. Management elected to waive this remaining variance and correct in a future Annual Financial Report.

FINDING 2018-002: 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 of bank reconciliations, Crowe noted that the Board does not formally review the bank reconciliations. The Administrative Clerk prepares the reconciliation and uses it to prepare the monthly financials, which are reviewed by the Treasurer and the Board, but the reconciliation is not subject to review.

FINDING 2018-003: APPROVAL OF DISBURSEMENTS

Criteria: Indiana Code 5-11-10-1.6 states in part, *“. . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services. (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .”*

Condition: During testing of disbursements, we noted that disbursements for each month are approved only after the disbursement had already been made. The Board receives the invoices at each monthly meeting that were paid in the previous month, reviews, and signs to approve.

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-004: 2017 CERTIFIED REPORT

Criteria: Indiana Code 5-11-13-1(a) states in part, "Every state, county, city, town, township, or school official . . . 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 . . . 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 certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

Condition: During testing of certified reporting, we noted the 2017 100-R was submitted on June 21, 2018, 172 days after the due date.

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 the Unit had no formal documentation of the implementation of the minimum standards of internal controls.

FINDING 2018-006: 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: Crowe noted management had not approved a materiality threshold as of the final year end under audit.

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-007: INTERNAL CONTROLS - TRAINING

Criteria: Indiana Code 5-11-1-27(h) states in part, "After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . . (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

Condition: During testing, we noted that the Unit had not met the minimum standards for training set in Indiana Code 5-11-1-27(h).

FINDING 2018-008: 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 of Annual Financial Report submissions, we noted the 2014, 2015, and 2016 Annual Financial Reports were not submitted. As a result, no financial statements were presented and we were unable to test receipts, disbursements and ending cash balances during 2014, 2015, and 2016. Therefore, no financial statement audit opinion nor compliance examination opinion was provided over these years.

FINDING 2018-009: 2014 CERTIFIED REPORT

Criteria: Indiana Code 5-11-13-1(a) states in part, "Every state, county, city, town, township, or school official . . . 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 . . . 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 certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

Condition: During testing of certified reporting, we noted the Unit's 2014 100-R was not submitted.

BLUE LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2017

The contents of this report were discussed on December 21, 2018, with Sue Hamilton, Financial Clerk. The official 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.

BLUE LAKE CONSERVANCY DISTRICT
P. O. Box 174, Churubusco, IN. 46723-0174

Compliance Examination 1-1-2017 to 12-31-2017:

- 1. Officials: Treasurer - Jerry Working (not Richard Hamilton)**
Financial Clerk - Sue Hamilton OK
President - Ronald Rennaker OK

FINDING 2018-003: ANNUAL FINANCIAL REPORT

Annual Financial Report Submissions were input into system, but not properly saved. These will be resubmitted with 2018 Financial Report.

FINDING 218-004: CERTIFIED REPORT

In regard to 2014 100-R report, this was apparently an oversight. It will be submitted with the 2018 100-R report.

Submitted by:

Sue Hamilton, Adm/Clerk

BLUE LAKE CONSERVANCY DISTRICT

P. O. Box 174

Chueubusco, IN. 46723-0174

260-693-0281 (sueham49@aol.com)

BLUE LAKE CONSERVANCY DISTRICT

Five Components of Internal Control:

Component One:

- 1. The Oversight body, Board of Directors, commit to integrity & ethical values.**
- 2. The Board reviews all Financials and Accounts Payable & Receivable every month; At monthly Board meeting, all financials are reviewed and voted on to accept. All checks are co-signed by Secretary/Treasurer.**
- 3. All Board members follow established organized structure.**
- 4. Directors strive to have competent individuals within structure.**
- 5. Directors evaluates performance monthly, and holds individuals accountable for their internal control responsibilities.**

Component Two:

- 6. The Conservancy District's objectives are more limited, as the main focus is to ensure that all sewer systems are kept in good working condition, and all systems are covered 24/7. This is done competently.**
The Administrative system insures that all receipts are kept up to date, and always are comparative to regular deposits. Deposits are made several times a week, so that no checks (monies) from Freeholders are held for any length of time.
- 7. Directors evaluate possible risks at every monthly meeting, and responds to any potential risks immediately.**
- 8. Directors consider potential for fraud, and Secretary/Treasurer reviews all receipts and disbursements, also checking account and Certificate of Deposit at every monthly meeting.**
- 9. Directors discuss everything that could impact the internal control system at every monthly meeting.**

Component Three:

- 10. The Blue Lake Conservancy District is considered a small unit, and duties are limited to Maintenance & Administrative. Both are reviewed on a monthly basis, and are subject to accountability.**
- 11. a. BLCD has Boyce/Keystone accounting system, and it is backed up after every posting, to both a disk and also to Boyce/Keystone system. In an event that critical information is lost in central area, Keystone can recover information at any time.**
 - b. Posting is backed up after each posting on a Disk, maintained in local office.**
 - c. Physical security controls used are Carbonite and Norton.**
 - d. Logical Security which allows access to accounting information and processes are controlled by Boyce/Keystone computerized accounting systems, thru user identification codes and passwords, which are changed monthly.**
 - e. Changes to Boyce/Keystone accounting system which might be made are all thru Boyce/Keystone, and we are notified accordingly.**

f. The accounting system used (Boyce/Keystone) allows documentation at all times to trace transactions from original source of entry into the system, through all system process, and to the results produced by the system.

g. Boyce/Keystone system provides edits and controls to assure that information entered into system is accurate.

h. Boyce/Keystone interface controls allow for information generated can be transferred to another application accurately.

i. Internal Processing provides written verification procedures and verification results that document accuracy.

12. Directors oversee both Maintenance and Administrative procedures on a monthly basis. If either Maintenance or Administrative have any questions/problems, Directors are contacted for clarification.

Component Four:

13. Directors use quality information provided from accepted systems to achieve objectives.

14. Directors internally communicates necessary information to achieve objectives.

15. Directors externally communicates necessary information to achieve objectives.

Component Five:

16. Directors (Management) has established and operates monitoring activities for internal control and to evaluate results.

17. Directors discuss monthly, any identified internal control deficiencies that may become known. Any issues would be documented and evaluated on a timely basis.

NOTE: INTERNAL CONTROL TRAINING CERTIFICATION FOR ELECTED OFFICIALS, APPOINTEES, AND EMPLOYEES.

I have not completed any training as required by Ind. Code 5-11-1-27(g)(2):
I have been unaware of any such training, but would be more than happy to comply.
I have not received any Notifications in this regard.

Sue Hamilton, Adm/Clerk
BLUE LAKE CONSERVANCY DISTRICT
P. O. Box 174
Churubusco, IN. 46723-0174
260-693-0281 (sueham49@aol.com)

Sue Hamilton