

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
BREVOORT LEVEE CONSERVANCY DISTRICT
KNOX COUNTY, INDIANA
January 1, 2015 to December 31, 2018



FILED
09/16/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Secretary	Rebecca Jennings Kim Williams	01-01-15 to 12-31-17 01-01-18 to 12-31-19
President of the District Board of Directors	Rex Marchino	01-01-15 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE BREVOORT LEVEE CONSERVANCY
DISTRICT, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the Brevoort Levee Conservancy District (District), for the period from January 1, 2015 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any 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

July 31, 2019

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FINANCIAL SECRETARY
BREVOORT LEVEE CONSERVANCY DISTRICT

FINANCIAL SECRETARY
BREVOORT LEVEE CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Financial Secretary incorrectly certified on the 2016, 2017, and 2018 Annual Financial Report (AFR) that the required internal control standards had been adopted and training had been provided to personnel. However, the District had not adopted the internal control standards as required, nor had personnel been trained.

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](#)."

INTERNAL CONTROLS

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The District had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The failure to establish a system of internal controls could have enabled material misstatements to be undetected.

Cash and Investments

The Financial Secretary was solely responsible for all aspects of the bank reconciliation process with no controls in place, such as an oversight, review, or approval process.

Receipts

The Financial Secretary was solely responsible for all aspects of the receipting process with no controls in place, such as an oversight, review, or approval process.

FINANCIAL SECRETARY
BREVOORT LEVEE CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Financial Close and Reporting

The Financial Secretary entered and submitted financial information for the District into the Indiana Gateway for Government Units financial reporting system, which was the source for the AFR and financial statements. There was no evidence of a control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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. . . ."

FINANCIAL SECRETARY
BREVOORT LEVEE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Kim Williams, Financial Secretary, and Larry Rusch, District Board member.

DISTRICT BOARD OF DIRECTORS
BREVOORT LEVEE CONSERVANCY DISTRICT

DISTRICT BOARD OF DIRECTORS
BREVOORT LEVEE CONSERVANCY DISTRICT
AUDIT RESULT AND COMMENT

ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS

The District Board of Directors had not adopted the minimum level of internal controls as required by statute. The District Board of Directors did not provide training to personnel concerning internal control standards and procedures during the audit period.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

DISTRICT BOARD OF DIRECTORS
BREVOORT LEVEE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2019, with Kim Williams, Financial Secretary, and Larry Rusch, District Board member.