

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT

STARKE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
09/30/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Todd Lawrence	01-01-15 to 06-30-20
President of the District Board	Todd Lawrence	01-01-15 to 06-30-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BAILEY-COX-NEWTSON CONSERVANCY  
DISTRICT, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Bailey-Cox-Newtson 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/](http://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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

August 8, 2019

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system for the District related to financial transactions and reporting. The District had not separated incompatible activities related to cash and investments, payroll, financial reporting, and capital assets. The failure to establish these controls could enable material misstatements to occur and remain undetected.

*Cash and Investments*

There was no control in place at the District over cash and investments. Depository reconciliations of the fund balances to the bank account balances were not presented for audit. We performed reconciliations at December 31, 2015, 2016, 2017, and 2018, which agreed to the financial statement balances. The District presented ledgers compiled by a consultant, which agreed to the financial statements; however, the District continued to keep a handwritten checkbook as a manual ledger. The checkbook's balance was \$1,058, \$1,085, \$1,085, and \$1,086, more than the financial statement balances at December 31, 2015, 2016, 2017, and 2018, respectively.

*Disbursements - Payroll*

There was no control in place at the District to ensure that they complied with applicable federal, state, and local laws and regulations related to payroll disbursements. An employee of the District was paid without the withholding of federal, state, and local taxes. An IRS form W-2 or Form 1099 was not issued for the years 2016 or 2017. There were no payroll expenditures during 2015 or 2018.

*Financial Reporting*

The District did not have a control in place to ensure accurate financial reporting. A review process for year-end financial information by an individual other than the preparer was not performed.

*Capital Assets*

There was no control in place to oversee the capital asset records. Additionally, the District did not do a periodic inventory of capital assets or maintain a capital asset record.

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:

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT  
AUDIT RESULT AND COMMENT  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BAILEY-COX-NEWTSON CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2019, with Todd Lawrence, Financial Clerk/President of the District Board.