

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
KICKAPOO CREEK CONSERVANCY DISTRICT
WARREN COUNTY, INDIANA
January 1, 2015 to December 31, 2018



FILED
10/28/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Late Submission of Annual Financial Report	4
Receipt Issuance	4
Salary Ordinance	4-5
Internal Controls	5-6
Training on Internal Control Standards	6
Certification on Internal Control Standards	6
Exit Conference	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Phyllis B. Hartlep	01-01-15 to 12-31-19
Chairman of the District Board	Joseph D. Jones	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE KICKAPOO CREEK CONSERVANCY
DISTRICT, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the Kickapoo Creek 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 statement. 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

September 11, 2019

KICKAPOO CREEK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The District's Annual Financial Reports (AFR) for 2015, 2017, and 2018 were not filed electronically until March 15, 2016, March 14, 2018, and April 1, 2019, respectively, which was 15, 13, and 31 days past the due date.

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](#)."

RECEIPT ISSUANCE

The same comment also appeared in prior Report B45619.

Condition and Context

The District did not issue receipts for any transaction during the audit period.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

SALARY ORDINANCE

The same comment also appeared in prior Report B45619.

Condition and Context

The District Board did not pass a salary ordinance for any year during the audit period.

Criteria

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 should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

KICKAPOO CREEK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. 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)

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the District related to financial transactions and reporting. The District had not separated incompatible activities related to cash, receipts, and financial close and reporting.

Cash

The District had not designed or implemented proper segregation of duties related to cash. The Financial Clerk made deposits, wrote checks, and received the bank statements. There was no evidence of a control such as oversight, review, or approval over the cash process.

Receipts

The District had not designed or implemented proper segregation of duties related to receipts. Receipts were not issued for monies received. There was no documented oversight or review of monies collected to verify accuracy.

Financial Close and Reporting

The District hired an accountant to prepare the AFR and enter it into the Indiana Gateway for Government Units financial reporting system. The Financial Clerk reported that she reviewed the report after it was prepared; however, no evidence was provided to verify this control.

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. . . .

KICKAPOO CREEK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The governing body did not ensure that required personnel received the internal control training. The governing body and the Financial Clerk did not receive training concerning the internal control standards and procedures adopted by the District.

Criteria

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Financial Clerk certified on the AFR that personnel had received the internal control training as required, but only one nonemployee had completed the training. Therefore, the AFR as submitted was incorrect.

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](#)."

KICKAPOO CREEK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2019, with Phyllis B. Hartlep, Financial Clerk, and Joseph D. Jones, Chairman of the District Board.