

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE MCCOY CONSERVANCY DISTRICT

DECATUR COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
11/14/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Financial Clerk	Jerry Stuart	01-01-16 to 12-31-19
Chairman of the District Board	Patti Nugent	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE MCCOY CONSERVANCY
DISTRICT, DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of the Lake McCoy Conservancy District (District), for the period from January 1, 2016 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

October 9, 2019

LAKE MCCOY CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

UNTIMELY PAYMENTS OF GENERAL OBLIGATION BOND PRINCIPAL AND INTEREST

Condition and Context

The District made untimely payments to the bond trustee for its general obligation bonds' principal and interest. There were instances where semiannual debt service payments in 2017 and 2018 ranged from 20 to 170 days past the scheduled due date. A debt service payment due January 1, 2019, in the amount of \$25,812 was not paid until September 24, 2019, according to the bond trustee.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the District related to all areas of the financial statements.

Either the Director/Financial Clerk or Chairman of the District Board performed all functions of daily activity for the District. The two employees reconciled the bank statement, posted the receipts, wrote checks, and recorded the disbursements in the ledger. Additionally, information was entered into the Indiana Gateway for Government Units financial reporting system for the Annual Financial Reports, which is the source of the financial statements, by one person without evidence of controls, such as an oversight, review, or approval process to ensure the information was accurate.

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. . . ."

LAKE MCCOY CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

BOARD MEETINGS, ELECTION OF DIRECTORS, AND MINUTES

Condition and Context

The board minutes prior to July 17, 2017, were not made available for audit. Additionally, the minutes provided did not contain a record of votes taken, were not always clear, and did not contain sufficient information to convey what the District Board's intentions were.

Based on the board minutes presented for audit, the minimum number of meetings that are required by statute were not held.

There was insufficient information available to determine whether Annual Meetings to elect directors were held in 2016, 2017, or 2018.

Criteria

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

Indiana Code 5-14-1.5-4(c) states: "The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 14-33-5-13 states: "The board shall by resolution fix the time for holding regular meetings, but the board shall meet at least quarterly each year."

Indiana Code 14-33-5-4(b) states:

"Notice of the annual meeting of the district must be given by one (1) publication in a newspaper of general circulation in each county in the district at least fourteen (14) and not more than thirty one (31) days before the annual meeting. The notice must contain the following:

- (1) The names of the nominees.
- (2) The place where the election will be held.
- (3) The time of the election.
- (4) The fact that this is the annual meeting of the district.

LAKE MCCOY CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) The purposes of the meeting.
- (6) The time during which ballots may be cast."

Indiana Code 14-33-5-2(a) states in part: "At each annual meeting of the district, directors shall be elected to fill vacancies on the board due to expiration of terms, resignation, or otherwise. The election shall be conducted by written ballots. . . ."

DISBURSEMENT PROCEDURES NOT FOLLOWED

Condition and Context

The District did not use the prescribed claim form (Claim, General Form No. 354, or Accounts Payable Voucher Town Form No. 39) for the disbursement of monies. The prescribed form provides for the signatures of District officers to document that the claim was approved by the officer or person receiving the goods or services, audited by the fiscal officer, and allowed by the governing board. The fiscal officer may draw a check for the payment only after these signatures are obtained.

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. . . ."

SUPPORTING DOCUMENTATION

Condition and Context

There was not supporting documentation for disbursements totaling \$980, related to equipment rental, dam maintenance/mowing, and an electric utility payment. Of that total, the \$500 equipment rental payment was made to a director of the District.

LAKE MCCOY CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
6-15-16	\$ 465	Doug Mozingo	Mowing dam
11-04-16	500	Jerry Stuart	Equipment rental
8-22-17	480	Omar Ball	Mowing and weed eating
Total	<u>\$ 1,445</u>		

The electric utility payment was for the amount due - previous bill balance. Also stated on the subsequent billing was that this amount was subsequently transferred to an agreement, and applied to an agreement balance. No further information was provided. District officials were unable to provide further information and stated they would contact their electric utility to obtain the documentation, but failed to do so.

Due to the lack of supporting documentation, we could not verify the validity of the disbursements.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The District did not provide training to appropriate personnel over the acceptable minimum level of internal control standards that were developed or approved.

Criteria

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."

COMPENSATION AND BENEFITS

Condition and Context

The District did not issue Internal Revenue Service Form W-2, Wage and Tax Statement, during the audit period.

LAKE MCCOY CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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 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)

PUBLIC RECORDS RETENTION

Condition and Context

The following records were not retained or made available for audit:

- General obligation bond issues' information documenting the terms of the obligations and amortization schedules.
- Ledger of Appropriations, Encumbrances, Disbursements, and Balances for 2016, 2017, and 2018.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

The basic accounting ledgers required to be kept consist of the following two forms:

- (1) Ledger of Receipts, Disbursements and Balances. (Form 358)
- (2) Ledger of Appropriations, Encumbrances, Disbursements, and Balances. (Form 359)

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 12)

Indiana Code 14-33-5-20 states in part:

"The board shall do the following: . . .

- (5) Keep an accurate and complete record of all district proceedings and record and file all bonds and contracts, assuming responsibility for the custody and preservation of all papers and documents of the district. . . ."

LAKE MCCOY CONSERVANCY DISTRICT
 AUDIT RESULTS AND COMMENTS
 (Continued)

ANNUAL REPORT TO THE COURT

Condition and Context

District officials indicated that they had not submitted an annual report to the Court of its income and expenses for 2016, 2017, or 2018.

Criteria

Indiana Code 14-33-5-20 states in part:

"The board shall do the following: . . .

- (6) Make an annual report to the court of income and expenses. The report must be submitted not later than thirty (30) days after the annual meeting and may include any of the following:
 - (A) A statement of the progress in accomplishing each purpose for which the district is established.
 - (B) Recommendations for amendment to the district plan.
 - (C) Any matter than the board believes should be brought to the attention of the court for instructions or approval. . . ."

APPROPRIATIONS

Condition and Context

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General Fund	2016	\$ 9,004
General Fund	2018	103

Criteria

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

LAKE MCCOY CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Jerry Stuart, Director/ Financial Clerk, and Kenneth Bass, District Attorney.