

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

COMPLIANCE REPORT
OF
SUGAR CREEK TOWNSHIP FIRE PROTECTION DISTRICT
VIGO COUNTY, INDIANA
January 1, 2019 to December 31, 2019



FILED
12/31/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Secretary	Carol A. Holbert	01-01-19 to 12-31-20
President of the District Board	Noel T. Lindsay	01-01-19 to 12-31-20



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 SUGAR CREEK TOWNSHIP FIRE
PROTECTION DISTRICT, VIGO COUNTY, INDIANA

The Sugar Creek Township Fire Protection District (District) is considered a component unit of Vigo County (County) under accounting principles generally accepted in the United States of America. The District's financial information was audited as part of the County's financial statements for the period from January 1, 2019 to December 31, 2019. The Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements and which includes the District's financial information, 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 for the District. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The District's Annual Financial Report information can be found on the Indiana Gateway for Government Units financial reporting system website: <https://gateway.ifionline.org> and has not been subjected to any audit procedures.

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

December 22, 2020

SUGAR CREEK TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud in the financial statements. The District has not separated incompatible activities related to all aspects of the financial statements. The failure to establish these internal controls could have enabled material misstatements to be undetected.

Cash and Investments

The Treasurer/Secretary performed the monthly bank reconciliations during the audit period. There was no documented oversight, approval, or review process to ensure that required bank reconciliations were properly performed.

Receipts

The District did not have internal controls in place to ensure the accuracy of the receipts. The receipts were received via electronic deposit and the Treasurer/Secretary posted the receipts to the ledger. There was no documented oversight, approval, or review process to ensure the accuracy of the information submitted.

Disbursements

The Treasurer/Secretary received the invoices, paid the invoices, signed the checks for payments, and posted all disbursements to Quickbooks, which was used as the ledger. There was no documented oversight, approval, or review process to ensure accuracy of the information submitted.

Financial Reporting

The Treasurer/Secretary compiled and submitted the information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and the financial statements, without a documented oversight, approval, or review process in place to ensure the accuracy of the information submitted.

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. . . .

SUGAR CREEK TOWNSHIP FIRE PROTECTION 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. . . ."

ADOPTION OF INTERNAL CONTROL STANDARDS

The same comment also appeared in the prior Report B56267.

Condition and Context

The District had not developed or adopted internal control standards and procedures as required by Indiana Code 5-11-1-27(g).

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:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in the prior Report B56267.

Condition and Context

Personnel of the District had not received training on internal control standards as required by statute.

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

The same comment also appeared in the prior Report B56267.

Condition and Context

The Treasurer/Secretary certified on the Annual Financial Report that the legislative body adopted the internal control standards required by Indiana Code 5-11-27(g) when the legislative body had not adopted them.

SUGAR CREEK TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

CAPITAL ASSETS

Condition and Context

A capitalization policy was not presented for audit.

Criteria

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)

ERRORS ON CLAIMS

Condition and Context

The District did not use Claims (Accounts Payable Vouchers) or Accounts Payable Voucher Registers to document approval of disbursements. There was no evidence presented for audit of the approval of the claims by the fiscal officer or the governing body. All claims were paid prior to board approval.

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;

SUGAR CREEK TOWNSHIP FIRE PROTECTION DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

- (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. . . ."

PRESCRIBED FORMS

A similar comment also appeared in the prior Report B56267, entitled *CONDITION OF RECORDS*.

Condition and Context

The District did not use any prescribed forms, including the Ledger of Receipts, Disbursements and Balances; Ledger of Appropriations, Encumbrances, Disbursements and Balances, Receipts, Accounts Payable Vouchers, Accounts Payable Voucher Register; and Capital Asset Ledger.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

SUGAR CREEK TOWNSHIP FIRE PROTECTION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2020, with Carol A. Holbert, Treasurer/Secretary, and Noel T. Lindsay, President of the District Board.