

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

COMPLIANCE REPORT  
OF  
SUGAR CREEK FIRE PROTECTION DISTRICT  
VIGO COUNTY, INDIANA  
January 1, 2020 to December 31, 2020



**FILED**  
02/02/2022



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting .....	4-5
Condition of Records .....	5
Allocation of Certified Distributions for Public Safety .....	5-6
Capital Assets .....	6
Errors on Claims .....	7
Prescribed Forms .....	7
Exit Conference .....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Secretary	Carol A. Holbert	01-01-20 to 12-31-22
President of the District Board	Noel T. Lindsay	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SUGAR CREEK FIRE PROTECTION DISTRICT, VIGO COUNTY, INDIANA

The Sugar Creek 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, 2020 to December 31, 2020. 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](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 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

January 19, 2022

SUGAR CREEK FIRE PROTECTION DISTRICT  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

The same comment also appeared in prior Report B56271.

*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 had 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 reconcilements during the audit period. There was no documented oversight, approval, or review process to ensure that required bank reconcilements 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.

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

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. . . ."

**CONDITION OF RECORDS**

*Condition and Context*

The District's ledger was not set up to record transactions and balances in separate funds. All transactions were posted to the General Fund. At year end, the Treasurer/Secretary abstracted transactions and completed the Annual Financial Report with separate funds as required.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**ALLOCATION OF CERTIFIED DISTRIBUTIONS FOR PUBLIC SAFETY**

*Condition and Context*

The District received a public safety distribution from the County every month. Once received, the District remitted the distribution to the local volunteer fire department. The volunteer fire department should have applied for a distribution of public safety tax revenue from the adopting body, as stated in Indiana Code 6-3.6-6-8(c).

*Criteria*

Indiana Code 6-3.6-3-1 states in part:

"(a) The following is the adopting body for a county:

(1) The local income tax council in a county in which the county income tax council adopted either:

(A) a county option income tax under [IC 6-3.5-6](#) (repealed) that was in effect on January 1, 2015; or

(B) a county economic development income tax for the county under [IC 6-3.5-7](#) (repealed) that was in effect on January 1, 2015. . . .

(b) A local income tax council is established for each county. The membership of each county's local income tax council consists of the fiscal body of the county and the fiscal body of each city or town that lies either partially or entirely within that county."

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

Indiana Code 6-3.6-6-8(c) states:

"A fire department, volunteer fire department, or emergency medical services provider that:

- (1) provides fire protection or emergency medical services within the county; and
- (2) is operated by or serves a political subdivision that is not otherwise entitled to receive a distribution of tax revenue under this section;

may, before July 1 of a year, apply to the adopting body for a distribution of tax revenue under this section during the following calendar year. The adopting body shall review an application submitted under this subsection and may, before September 1 of a year, adopt a resolution requiring that one (1) or more of the applicants shall receive a specified amount of the tax revenue to be distributed under this section during the following calendar year. The adopting body shall provide a copy of the resolution to the county auditor and the department of local government finance not more than fifteen (15) days after the resolution is adopted. A resolution adopted under this subsection and provided in a timely manner to the county auditor and the department applies only to distributions in the following calendar year. Any amount of tax revenue distributed under this subsection to a fire department, volunteer fire department, or emergency medical services provider shall be distributed before the remainder of the tax revenue is allocated under subsection (b)."

## **CAPITAL ASSETS**

### *Condition and Context*

Capital asset records were not properly maintained. The following errors were noted:

1. During physical observation of assets, it was discovered that the 2003 pumper truck had been sold in October 2020, but was still on the capital asset ledger at December 31, 2020. The pumper truck was recorded in the amount of \$268,521.
2. A fire engine was leased in November 2020, but was not added to the capital asset ledger. The value of the asset was \$825,000.

These errors resulted in a net understatement of capital assets of \$556,479.

### *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)

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

**ERRORS ON CLAIMS**

The same comment also appeared in the prior Report B56271.

*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 District 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;
- (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**

The same comment also appeared in the prior Report B56271.

*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; and Accounts Payable Voucher Register.

*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 FIRE PROTECTION DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 19, 2022, with Carol A. Holbert, Treasurer/Secretary, and James M. Holbert, Vice President of the District Board.