

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT

FULTON COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
08/03/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terry Baker	01-01-17 to 12-31-17
	Tim Overdorf	01-01-18 to 09-09-18
	Mitch Yeakley	09-10-18 to 12-31-19
	Judy Copeland	01-01-20 to 10-05-20
	(Vacant)	10-06-20 to 12-31-20
	John (Randy) Hill	01-01-21 to 07-06-21
	Joyce Shafer	07-07-21 to 12-31-21
	John (Randy) Hill	01-01-22 to 12-31-22
Chair of the District Board	Dave Westcott	01-01-17 to 09-05-17
	Tom Trent	09-06-17 to 12-31-17
	Terry Baker	01-01-18 to 12-31-19
	Michael Trigg	01-01-20 to 12-31-20
	Mark Butler	01-01-21 to 12-31-21
	Tom Trent	01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NYONA-SOUTH MUD LAKES CONSERVANCY
DISTRICT, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the Nyona-South Mud Lakes Conservancy District (District), for the period from January 1, 2017 to December 31, 2020. 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 opinions 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 29, 2022

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B49397.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for all months during the audit period.

Criteria

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."

ORDINANCES AND RESOLUTIONS

A similar comment appeared in prior Report B49397.

Condition and Context

The required monthly transfers to the Bond and Interest Fund were not consistently made in accordance with the bond ordinance. This was a systemic issue throughout the audit period as required transfers were only made during 2018 per the District's records. In addition, the District had not followed its own sewer rate ordinance as penalties had not been consistently applied to customer accounts.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CREDIT CARDS

The same comment also appeared in prior Report B49397.

Condition and Context

The District had credit cards in use throughout the audit period; however, the District Board had not authorized credit card use through the passage of an ordinance or resolution.

Criteria

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

ADOPTION OF, 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. In addition, District employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the District, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

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."

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District certified on the Annual Financial Reports that it had adopted the minimum internal control standards; however, the District indicated that it had not adopted the minimum internal control standards. In addition, the District certified that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the District; however, the District indicated that all personnel had not received training concerning the internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

OVERDRAWN CASH BALANCES

Condition and Context

The District's Bond and Interest Fund had an overdrawn cash and investment balance of \$66,523 as of December 31, 2017. In addition, the District's Operating Fund had an overdrawn cash and investment balance of \$12,957 as of December 31, 2020.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

TIMELY RECORDING

Condition and Context

The District was unable to provide ledgers for calendar years 2019 and 2020. Ledgers had to be created utilizing bank statement activity. As a result, it could not be determined if receipt and disbursement activity were recorded in a timely manner or if receipts were issued at the time of transaction.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Disbursements were not consistently approved by the District Board throughout the audit period.

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

Supporting documentation was not maintained for all disbursement transactions. Electronic fund transfer transactions, fund transfers, tax withholdings, travel claims, credit card claims, and other claims tested did not have supporting documentation to support the payments.

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)

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Condition and Context

The District did not provide an annual salary resolution or ordinance, board minutes, or other documentation that set and approved the salaries and wages of all officers and employees 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 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 and investments, receipts (including customer billings), vendor disbursements, payroll disbursements, financial close and reporting, and the risk assessment and monitoring aspects of internal control. The failure to establish these internal controls enabled material misstatements to occur and remain undetected. The lack of internal controls was a systemic issue throughout the audit period.

Cash and Investments

Bank account reconciliations were performed by one individual without a documented oversight, review, or approval process in place to ensure their accuracy and timely completion.

Receipts

Receipts were issued, recorded, and deposited without a documented oversight, review, or approval process in place to ensure their accuracy.

In addition, one individual handled all customer billing duties including sending bills/coupons to freeholders, processing payments, posting payments to customer accounts in the electronic billing software, and making related deposits. Each of these tasks was completed without a documented oversight, review, approval, or reconciliation process in place to ensure its accuracy.

Vendor Disbursements

One individual received invoices, prepared accounts payable vouchers, and signed checks without a documented oversight, review, or approval process in place to ensure its accuracy and timely remittance to vendors.

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Payroll Disbursements

Timecards lacked documented approval by an employee's supervisor or the District Board. In addition, one individual prepared payroll claims and signed payroll checks without a documented oversight, review, or approval process in place to ensure its accuracy.

Financial Close and Reporting

The District utilized an outside accounting firm to help compile its annual figures for the Annual Financial Report (AFR). One individual entered the District's financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the AFR and financial statements. The AFR was submitted into Gateway without a documented oversight, review, or approval process in place to ensure its accuracy.

Risk Assessment and Monitoring

The District had not documented any risk assessment or monitoring procedures related to its internal control system throughout the audit period.

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:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

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. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

The District's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R), for 2020, was not filed electronically until March 31, 2021, which was 59 days past the due date.

Criteria

Indiana Code 5-11-13-1(b) states in part:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The District's financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statements. However, the AFR's filed for 2019 and 2020 contained several errors and did not properly reflect the financial activity of the District. The receipts, disbursements, and beginning and ending cash and investment balances reported were adjusted as follows:

In 2019, the District understated receipts and overstated disbursements in the Operating Fund by \$1,110 and \$1,331, respectively. The net effect on the ending cash and investment balance as of December 31, 2019, was an understatement of \$2,441.

In 2020, the District understated receipts and disbursements in the Operating Fund by \$177,921 and \$207,928, respectively. The net effect on the ending cash and investment balance as of December 31, 2020, was an overstatement \$27,566. In addition, the District overstated both receipts and disbursements in the Bond and Interest Fund by \$129,711 in 2020.

Adjustments to the financial statements were proposed to and approved by the District.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District had not adopted a capital assets policy. In addition, the District had not conducted a physical inventory or kept a record of its capital assets.

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)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The District had not uploaded all required monthly and annual engagement uploads into the Indiana Gateway for Government Units financial reporting system as required by the amended State Examiner Directive 2018-1.

Criteria

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually (for Counties, these apply to County Auditor's unless otherwise noted):

- Year-end Investment Statements (for Counties - County Treasurer)
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)
- . . .

(State Examiner Directive 2018-1)

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The District paid \$2,417 in penalties and interest to the Indiana Department of Revenue. The District also paid at least \$1,895 in known penalties and interest to the Internal Revenue Service. We could not determine the exact amount paid due to the lack of supporting documentation.

In addition, a total of \$491 in penalties and interest was paid to vendors. Of this amount, \$297 was paid to the Indiana Department of Workforce Development for late remittance of unemployment insurance payments.

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 unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Nyona/South Mud Lakes Conservancy
2979 SE Lakeshore Dr.
Macy, IN 46951



OFFICIAL RESPONSE

Date: 7/5/2022

Correction Action Plan Comments

The three repeat comments

- **Bank Account Reconciliations:** We hired Krohn Associates to be our accountant
- **Ordinances & Resolutions:** We hired Jim Clevanger as our lawyer to advise us on these matters
- **Credit Cards:** The board has agreed that if the ATM cards are used that the 5 board members must agree to approve any amount spent over \$25.00

Brian Rolfe
Thomas A. Dent
Jim Johnson
Randy Thomas

NYONA-SOUTH MUD LAKES CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2022, with John (Randy) Hill, Treasurer; Tom Trent, Chair of the District Board; Tim Johnson, Board member; Brian Roller, Board member; Bill Allen, Board member; and Stephen Carter, Financial Advisor.