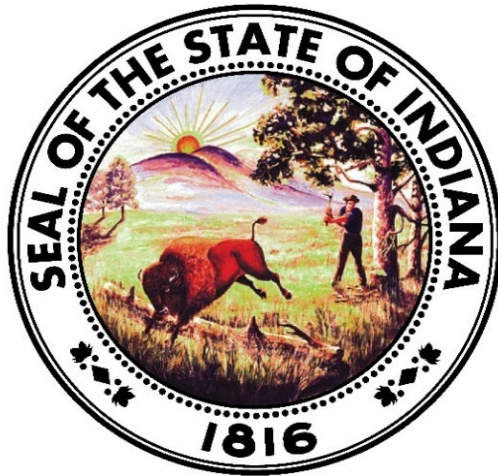


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
STUCKER FORK CONSERVANCY DISTRICT
SCOTT COUNTY, INDIANA
January 1, 2020 to December 31, 2020



FILED
12/09/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utility Superintendent	Randy Needler	01-01-20 to 12-31-22
Financial Clerk	Lisa Wheeler	01-01-20 to 12-31-22
President of the District Board	John Bard	01-01-20 to 12-31-22



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TO: THE OFFICIALS OF THE STUCKER FORK CONSERVANCY
DISTRICT, SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of the Stucker Fork Conservancy District (District), for the period from January 1, 2020 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 Statement Audit Report of the District, which provides our opinions 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 17, 2022

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The District had not established effective internal controls over financial transactions and reporting. The financial information was entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the District's Annual Financial Report (AFR or financial statement), by the District's consultant. The District's Financial Clerk and the District Board then reviewed and approved the information entered. The internal control was not effective and did not detect and allow correction of errors prior to submitting.

Due to the lack of effective internal controls, financial activity related to the 2020 revenue bonds was not reported in the financial statement, which understated receipts and disbursements by \$2,360,958.

Audit adjustments were proposed, accepted by the District, and made to the financial statement and the combining schedules.

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. . . ."

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

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

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

A detailed listing of capital assets was not properly maintained. Additions and deletions of capital assets during the audit period were not properly recorded, and a physical inventory had not been taken in the past two years. Capital asset records indicated that the last additions recorded to the records were in 2008. As a result, the amounts reported in the Capital Asset Schedule in the Annual Financial Report could not be verified.

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)

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](#)."

OFFICIAL BOND

A similar comment also appeared in prior Report B56277, entitled *FINDING 2019-003: SURETY BONDS*.

Condition and Context

The amount of the official bond held by the District for the Financial Clerk was below the minimum required amount per statute. Minimum required bond coverage for 2020 should have been \$240,000 based on the receipts of the District during 2019; however, the District only had coverage of \$60,000. Additionally, the bond was not recorded with the County Recorder.

Criteria

Indiana Code 5-4-1-18 states in part:

". . . (e) Except as provided in subsections (k) and (l), the fiscal bodies of the respective units shall fix the amount of the bond of . . . conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

STUCKER FORK CONSERVANCY DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, employee, or contractor of a political subdivision . . . shall file the bond with the fiscal officer of the political subdivision and in the office of the county recorder in the county of office or employment of the officer, official, deputy, employee, or contractor . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The District could not provide documentation that employees responsible for handing receipts and disbursements received internal control training.

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 District certified on the Indiana Gateway for Government Units financial reporting system that internal control training was provided to applicable employees; however, documentation that all applicable employees received the training was not provided.

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](#)."

STUCKER FORK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2022, with Lisa Wheeler, Financial Clerk, and Lynn Elliott, District Board member.