

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HARRISON COUNTY REGIONAL SEWER DISTRICT

HARRISON COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
06/03/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gary Davis	01-01-13 to 12-31-16
President of the Board	Tom Tucker	01-01-13 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE HARRISON COUNTY REGIONAL  
SEWER DISTRICT, HARRISON COUNTY, INDIANA

This report is supplemental to our audit report of the Harrison County Regional Sewer District (District), for the period from January 1, 2013 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the District, which provides our opinions on the District's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plans for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

March 15, 2016

HARRISON COUNTY REGIONAL SEWER DISTRICT  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

There were several deficiencies in the internal control system of the District related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The District has not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. The Treasurer performs all aspects related to cash and investments, receipts, disbursements, and financial close and reporting without sufficient oversight. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Monitoring of Controls:** An evaluation of the District's system of internal control has not been conducted. The failure to monitor the internal control system places the District at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the District has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the District to monitor and assess the quality of the system of internal control.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer gathers the information, then compiles, certifies, and submits the federal grant information used for the SEFA without sufficient oversight and review. The District should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

HARRISON COUNTY REGIONAL SEWER DISTRICT  
FEDERAL FINDINGS  
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**FINDING 2014-003 - DAVIS-BACON ACT**

Federal Agency: Department of Commerce  
Federal Program: Investment for Public Works and Economic Development Facilities  
CFDA Number: 11.300  
Federal Award Number and Year (or Other Identifying Number): 06-01-05679

Management of the District has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that apply to Davis-Bacon Act. The failure to establish an effective internal control system places the District at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The District hired a Grant Administrator to assist in overseeing the labor standards required under the Davis-Bacon Act. Certified payrolls were submitted by the contractors/subcontractors to the Grant Administrator who would then check to determine if prevailing wages were being properly paid. The District did not have procedures in place to review and approve the work being performed by the Grant Administrator.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the District.

We recommended that the District's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements pertaining to Davis-Bacon Act.

# HARRISON COUNTY REGIONAL SEWER DISTRICT

P.O. BOX 266  
CORYDON, INDIANA 47112  
PHONE: 812.738.4600 FAX: 812.738.4418

**Officers:**

Tom Tucker  
Commissioner Rep.  
President

Darin Duncan  
Commissioner Rep.  
Secretary

Gary Davis  
Council Rep.  
Treasurer

Chris Byrd  
Board Attorney

**Board Members:**  
John Kintner  
Town of Corydon

Tony Combs  
Board of Health

JR Eckart  
Commissioner Rep.

Daniel Lee  
Council Rep.

Bill Byrd  
Town of Milltown

Chris Shultz  
Town of Lanesville

## CORRECTIVE ACTION PLAN

**FINDING 20014-001**

Contact Person Responsible for Corrective Action: Gary Davis, Treasurer  
Contact Phone Number:

**Description of Corrective Action Plan:**

The Regional Sewer District will adopt the internal control standards established by IC 5-11-1-27(e) at its next Board meeting. Supporting internal control policies and procedures will then be implemented as appropriate. Since the Regional Sewer District has no employees, segregating duties is difficult. The emphasis will be on additional monitoring of the Treasurer's activities. The responsibilities specified for management will be performed by the Regional Sewer District Board. All billing and collection activities are performed by an independent contractor. Our waste water treatment plant is operated by an independent contractor who monitors compliance with governing regulations.

Anticipated Completion Date: 2016

(Signature)

Gary Davis

(Title)

Treasurer

(Date)

3-10-16

# HARRISON COUNTY REGIONAL SEWER DISTRICT

P.O. Box 266  
CORYDON, INDIANA 47112  
PHONE: 812.738.4600 FAX: 812.738.4418

Officers:

Tom Tucker  
*Commissioner Rep.*  
*President*

## CORRECTIVE ACTION PLAN

Darin Duncan  
*Commissioner Rep.*  
*Secretary*

**FINDING 20014-002**

Contact Person Responsible for Corrective Action: Gary Davis, Treasurer  
Contact Phone Number:

Gary Davis  
*Council Rep.*  
*Treasurer*

Description of Corrective Action Plan:

Chris Byrd  
*Board Attorney*

For all future federal projects, the Treasurer will have the Board President review the Schedule of Expenditures of Federal Awards to confirm that the figures listed are accurate.

Board Members:  
John Kintner  
*Town of Corydon*

Tony Combs  
*Board of Health*

JR Eckart  
*Commissioner Rep.*

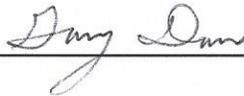
Daniel Lee  
*Council Rep.*

Anticipated Completion Date: March 14, 2016

Bill Byrd  
*Town of Milltown*

Chris Shultz  
*Town of Lanesville*

(Signature)

  
\_\_\_\_\_

(Title)

Treasurer  
\_\_\_\_\_

(Date)

3-14-16  
\_\_\_\_\_

# HARRISON COUNTY REGIONAL SEWER DISTRICT

P.O. Box 266  
CORYDON, INDIANA 47112  
PHONE: 812.738.4600 FAX: 812.738.4418

**Officers:**

Tom Tucker  
Commissioner Rep.  
President

## CORRECTIVE ACTION PLAN

Darin Duncan  
Commissioner Rep.  
Secretary

**FINDING 20014-003**

Contact Person Responsible for Corrective Action: Gary Davis, Treasurer  
Contact Phone Number:

Gary Davis  
Council Rep.  
Treasurer

Chris Byrd  
Board Attorney

Description of Corrective Action Plan:

**Board Members:**

John Kintner  
Town of Corydon

During the construction of the project, the grant administrator kept the Board informed of all irregularities with regard to Davis Bacon compliance. The Board will utilize the following policy for any future federal projects that involve Davis Bacon compliance:

Tony Combs  
Board of Health

A member of the Board will be designated to be trained on how to review the required Certified Payroll Reports and demonstrate a working knowledge of Davis Bacon. At least quarterly, this designee will select at least three (3) week-ending dates to review. The designee will then contact the grant administrator for copies of those selected weeks. The designee will review those reports and will submit a report to the grant administrator, as well as a copy in the file, to demonstrate that the payrolls have been reviewed.

JR Eckart  
Commissioner Rep.

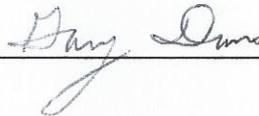
Daniel Lee  
Council Rep.

Bill Byrd  
Town of Milltown

Chris Shultz  
Town of Lanesville

Anticipated Completion Date: March 14, 2016

(Signature)

  
\_\_\_\_\_

(Title)

Treasurer  
\_\_\_\_\_

3-14-16  
\_\_\_\_\_  
(Date)

HARRISON COUNTY REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**DEPOSITS**

Collections were deposited later than the next business day in 53 percent of the collections tested.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

**ORDINANCES AND RESOLUTIONS**

The District's Ordinance HCRSD\_2010-01 outlined the rates and fees to be charged to customers for sewer services. However, during the review of billings, it was noted that the District's billing provider charged incorrect rates and fees for two of the District's three customers. In September 2014, the District changed billing providers and the approved rates and fees were billed correctly.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 10)

HARRISON COUNTY REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2016, with Gary Davis, Treasurer, and Tom Tucker, President of the Board.