

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

COMPLIANCE EXAMINATION REPORT

OF

EVERTON REGIONAL SEWER DISTRICT

FAYETTE COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

11/22/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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November 22, 2023

To: The Officials of the Everton Regional Sewer District
Everton Regional Sewer District
PO Box 1078
Connersville, IN 47331

This report is supplemental to the audit report of the Everton Regional Sewer District (District), for the period from January 1, 2018 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an opinion 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 engaged private examiners under our review to perform the audit of the District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the Everton Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 5. Management's response can be found on pages 7 and 8.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

EVERTON REGIONAL SEWER DISTRICT

Fayette County, Indiana
January 1, 2018 to December 31, 2022

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EVERTON REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2018 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Duane Brandenburg Debra Shaw-Kidd	01-01-18 to 09-29-20 09-30-20 to 12-31-22
President of the Board	Kenneth Weisheit	01-01-18 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Everton Regional Sewer District

We have examined the Everton Regional Sewer District's ("District") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2018 to December 31, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Districts* applicable to the District during the period January 1, 2018 to December 31, 2022, as described in items 2022-001 through 2022-008 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the District complied, in all material respects, with the aforementioned requirements during the period January 1, 2018 to December 31, 2022.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
November 17, 2023

EVERTON REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-001: BANK ACCOUNT RECONCILIATION REVIEW

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."*

The same comment also appeared in prior Report B51911.

Condition: During testing, we noted the District did prepare monthly bank reconciliations. However, we noted a formal review was only present on 2 of the 5 year-end bank reconciliations tested. The December 2018, 2019 and 2021 bank reconciliations did not have a formal review documented.

FINDING 2022-002: COMPENSATION AND BENEFITS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *"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."*

Condition: During testing of payroll expenditures, we noted a maintenance worker's hourly rate was not documented within a Board approved ordinance or within the Board minutes.

FINDING 2022-003: EMPLOYEE TIME RECORDS

Criteria: Indiana Code 5-11-9-4(b) states in part, *"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: (1) covered by section 1 or 2 of this chapter; and (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."*

Condition: During testing of payroll expenditures, we noted 2 instances in a sample of 10 where the payroll claims were not supported by appropriate employee time records.

FINDING 2022-004: CAPITAL ASSETS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *"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."*

Condition: During testing of capital assets, we noted the District did not have a written policy concerning capital assets and the threshold at which an item is considered a capital asset. We noted the District did provide a listing of capital assets as of December 31, 2022. However, we noted that because a routine physical inventory was not performed at least once every two years, assets were included on the listing that were no longer in use by the District.

(Continued)

EVERTON REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-005: INTERNAL CONTROLS – MINIMUM STANDARDS

Criteria: Indiana Code 5-11-1-27(h) states in part, “After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision. . . .”

The same comment also appeared in prior Report B51911.

Condition: During testing, we noted that the District had not certified that the District had adopted the minimum standards of internal control. The District did not have a formal internal control policy in place.

FINDING 2022-006: INTERNAL CONTROLS – TRAINING

Criteria: Indiana Code 5-11-1-27(h) states in part, “After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . . (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).”

Condition: During testing, we noted that the District had not met the minimum standards for training set in Indiana Code 5-11-1-27(h). The required trainings had not been performed.

FINDING 2022-007: GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, Districts, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

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

- 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 by all units:

- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule)
- 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

Condition: During testing, we noted the District had not uploaded the 2018, 2019, and 2020 monthly or annual uploads. We also noted the 2021 and 2022 annual uploads were not made.

(Continued)

EVERTON REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2018 to December 31, 2022

FINDING 2022-008: MATERIALITY THRESHOLD

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

The same comment also appeared in prior Report B51911.

Condition: During testing, we noted that the District had not adopted a materiality threshold for the period under audit.

EVERTON REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2018 to December 31, 2022

The contents of this report were discussed on November 17, 2023 with Debra Shaw-Kidd, Treasurer, Larry Wysong, Vice President of the Board, Kenneth Weisheit, President of the Board, and Steve Kiefer, Kemper CPA Advisor.

Everton Regional Sewer District
P. O. Box 1078
Connersville, Indiana 47331
(765) 698-8895

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS
December 31, 2022

FINDING 2022-001

Subject: Bank Account Reconciliation Review
Audit Findings: Material Weakness

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."*

Context: The Unit did not formally review the December 2018, 2019, and 2021 bank reconciliations.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Board will adopt and implement a formal bank reconciliation review and continue to have the president sign the prior month's bank statement monthly.

Responsible Party and Timeline for Completion: The formal bank reconciliation review will be implemented immediately by the Board.

FINDING 2022-005

Subject: Internal Controls – Minimum Standards
Audit Findings: Material Weakness

Criteria: Indiana Code 5-11-1-27(h) states in part, *"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision. . . ."*

Context: The Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Board adopted an internal control policy at their meeting on October 17, 2023 and it will be implemented immediately.

Responsible Party and Timeline for Completion: The internal control policy was adopted by the Board on October 17, 2023. Internal control training will be completed and documented by the Board and appropriate personnel by the end of December 2023.

FINDING 2022-008

Subject: Materiality Threshold
Audit Findings: Material Weakness

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

Context: The Unit did not have a materiality threshold for the period under audit.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Board adopted a materiality threshold policy at their meeting on October 17, 2023 and it will be implemented immediately.

Responsible Party and Timeline for Completion: The materiality threshold was adopted by the Board on October 17, 2023.