

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

COMPLIANCE EXAMINATION REPORT

OF

TAYLOR REGIONAL SEWER DISTRICT

HOWARD COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
12/15/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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December 15, 2023

To: The Officials of the Taylor Regional Sewer District
Taylor Regional Sewer District
Howard County, Indiana

This report is supplemental to the audit report of the Taylor 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 Taylor 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 3-7.

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

TAYLOR REGIONAL SEWER DISTRICT

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

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TAYLOR REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2021 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia Swavey	01-01-18 to 02-18-22
	Alisa Bernotas	02-19-22 to 12-31-22
President of the District Board	Johanna Thompson	01-01-18 to 03-01-18
	Patricia Swavey (Interim)	03-02-18 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Taylor 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 Special Districts* applicable to the District during the period January 1, 2018 to December 31, 2022, as described in items 2022-001 through 2022-012 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

Indianapolis, Indiana
November 30, 2023

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

FINDING 2022-001: FEES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *"Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained."*

Condition: During testing of receipts, we noted four instances in a sample of ten in which customer fees were not authorized by law. We noted the district would offer specialized rates below the approved rate to select customers, rates for non-residential users could not be recalculated, and a percentage of the bill used to calculate late fees was not stipulated in the ordinances provided.

FINDING 2022-002: 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."*

Condition: During testing, we noted the District did prepare monthly bank reconciliations. However, we noted a formal review was not present on any of the year-end bank reconciliations tested.

FINDING 2022-003: APPROVAL OF DISBURSEMENTS

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. . . ."

The same comment also appeared in prior Report B52269.

Condition: During testing of disbursements, we noted there is no formal, documented review of disbursements by the Board.

FINDING 2022-004: SUPPORTING DOCUMENTATION - DISBURSEMENTS

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

Condition: During testing of disbursements, we noted supporting documentation was not present or did not agree to the recorded disbursement for 3 of the 10 selections. Additionally, we noted the District was unable to provide a repayment schedule and debt agreement to support yearly principal and interest payments made toward the Indiana State Revolving Fund loan.

(Continued)

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

FINDING 2022-005: TIMELY PAYMENT - DISBURSEMENTS

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

Condition: During testing of disbursements, we noted a cluster of four checks that were paid in September 2021 for invoices dated March-June of 2021. Additionally, we noted the District incurred a balance of \$25,000 with Duke Energy after having not made required payments; the District reached a repayment agreement with Duke Energy as a result.

FINDING 2022-006: ANNUAL FINANCIAL REPORT (AFR)

Criteria: Indiana Code 5-11-1-4(a) states, *“The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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.”*

The same comment also appeared in prior Report B52269.

Condition: We noted the District submitted the AFR late for each of the years under audit. Submission dates for 2018-2022 were 4/5/2019 (35 days late), 7/7/2020 (129 days late), 12/13/2021 (287 days late), 8/23/2022 (175 days late), and 5/22/2023 (82 days late), respectively.

FINDING 2022-007: 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 not have a detailed listing of capital assets owned by the District. We noted that a physical inventory is not taken at least every two years.

(Continued)

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

FINDING 2022-008: CERTIFIED REPORT FILED AFTER DUE DATE

Criteria: Indiana Code 5-11-13-1(a) states in part, *"Every state, county, city, town, township, or school official . . . 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 each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said 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."*

Condition: During testing of certified reporting, we noted the District's 100R was submitted late for each of the years under audit. Submission dates for 2018-2022 were 3/1/2019 (30 days late), not submitted (2019), 11/19/2021 (293 days late), 2/28/2022 (29 days late), and 2/14/2023 (15 days late), respectively.

FINDING 2022-009: MINIMUM LEVEL OF INTERNAL CONTROLS

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. . . ."*

The same comment also appeared in prior Report B52269.

Condition: During testing, we noted that the District has no formal documentation of the implementation of a minimum level of internal controls standards.

(Continued)

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

FINDING 2022-010: MISSING 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, libraries, 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 did not upload the 2018 May funds ledger, all 2019 required uploads, 2020 Board minutes and annual uploads, 2021 Board minutes and annual uploads, and 2022 August Board minutes and annual uploads.

FINDING 2022-011: BOARD MEETING MINUTES

Criteria: Regarding Board meetings, Indiana Code 5-14-1.5-4 states in part, "(b) As the meeting progresses, the following memoranda shall be kept: (1) The date, time, and place of the meeting. (2) The members of the governing body recorded as either present or absent. (3) The general substance of all matters proposed, discussed, or decided. (4) A record of all votes take, by individual members if there is a roll call. (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication. (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

The same comment also appeared in prior Report B52269.

Condition: During testing, we noted that the District did not keep minutes from meetings of the Board during 2019, 2020, and 2021.

(Continued)

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

FINDING 2022-012: CONDITION OF RECORDS

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

Condition: During testing, we noted that 2019 Annual Financial Report (AFR) cash balance did not agree to the reconciled bank balance. The 2019 AFR cash balance is less than the reconciled bank balance by \$5,760.

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

The contents of this report were discussed on November 30, 2023 with Brock McVeigh, President of the Board, and Alisa Bernotas, Treasurer.

Taylor Township Regional Sewer District
PO Box 125
Hemlock IN 46937
(765) 453.9332

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS
December 31, 2022

FINDING 2022-003

Subject: Approval of Disbursements
Audit Findings: Material Weakness

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. . . ."

Context: The District does not have a formal, documented review of disbursements by the Board.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Board will sign the register of claims at the monthly Board meeting.

Responsible Party and Timeline for Completion: Claims will be reviewed and approved by the Board effective immediately.

FINDING 2022-004

Subject: Annual Financial Report
Audit Findings: Material Weakness

Criteria: Indiana Code 5-11-1-4(a) states, "*The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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.*"

Context: The District did not submit the AFR timely for each of the years under audit.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The AFR will be submitted no later than 60 days after year end.

Responsible Party and Timeline for Completion: The Treasurer will submit the 2023 AFR timely after the 12/31/2023 year end.

FINDING 2022-009

Subject: Minimum Level of Internal Controls
Audit Findings: Material Weakness

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. . . ."*

Context: The District does not have 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: A formal policy over internal control standards will be formulated and adopted.

Responsible Party and Timeline for Completion: The Board will approve a policy over internal control standards at the next Board meeting.

FINDING 2022-011

Subject: Board Meeting Minutes
Audit Findings: Material Weakness

Criteria: Regarding Board meetings, Indiana Code 5-14-1.5-4 states in part, "(b) As the meeting progresses, the following memoranda shall be kept: (1) The date, time, and place of the meeting. (2) The members of the governing body recorded as either present or absent. (3) The general substance of all matters proposed, discussed, or decided. (4) A record of all votes taken, by individual members if there is a roll call. (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication. (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Context: The District did not keep Board minutes for 2019, 2020, and 2021.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Meeting minutes will be kept for all Board meetings.

Responsible Party and Timeline for Completion: The Secretary of the Board will record Board meeting minutes starting at the next Board meeting.