

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

COMPLIANCE EXAMINATION REPORT

OF

NORWOOD REGIONAL WATER AND SEWER DISTRICT

HUNTINGTON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

11/22/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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November 22, 2023

To: The Officials of the Norwood Regional Water and Sewer District
Norwood Regional Water and Sewer District
3740 N Norwood Rd
Huntington, IN 46750

This report is supplemental to the audit report of the Norwood Regional Water and 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 Norwood Regional Water and 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 and 4.

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".

Tammy R. White, CPA
Deputy State Examiner

NORWOOD REGIONAL WATER AND SEWER DISTRICT

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

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NORWOOD REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF OFFICIALS
For the period January 1, 2018 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tim Jones	01-01-18 to 01-17-22
	Brian Sabanski	01-18-22 to 12-31-22
President of the Board	Jeff Shoup	01-01-18 to 12-31-22
Vice-President of the Board	Gary Rice	01-01-18 to 05-10-22
	Vacant	05-11-22 to 06-26-22
	Cathy Johnson	06-27-22 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Norwood Regional Water and Sewer District's ("Unit") 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 Unit is responsible for the Unit's compliance with the specified requirements. Our responsibility is to express an opinion on the Unit'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 Unit complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Unit 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 Unit's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the Unit during the period January 1, 2018 to December 31, 2022, as described in item 2022-001 through 2022-006 on the following Schedule of Examination Findings and Results.

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



Crowe LLP

Indianapolis, Indiana
October 30, 2023

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

FINDING 2022-001: 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 of Cash, we noted that debt payments clearing in 2021 were added back to the ending cash balance as a reconciling item as management noted they were for 2022. As a result, ending cash for calendar year 2021 was overstated by \$144,805. It was also noted that the bank reconciliations were not formally reviewed.

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 that 2 instances, in a sample of 10, were not supported by a written contract.

FINDING 2022-003: 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

(Continued)

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

Condition: During testing, we noted the Unit did not upload 2018 salary ordinance, 2021 annual vendor history report and funds ledger, and 2022 receipts and disbursement activity and annual vendor history report.

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 Unit did not have a written policy concerning capital assets and the threshold at which an item is considered a capital asset. We noted the Unit did not have a detail listing of capital assets owned by the unit. We noted that a physical inventory is not taken at least every two years.

FINDING 2022-005: RECORD OF HOURS WORKED

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 are worked each day by officers and employees.”*

Condition: During testing of payroll, we noted 10 instances in a sample of 10, in which timecards were not properly reviewed for an employee’s hours.

FINDING 2022-006: TIMELY RECORDING

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *“All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.”*

Condition: During testing of receipts, we noted 26 instances, in a sample of 32, which were not recorded in the records of the Unit in a timely manner. Specifically, entries were recorded at the end of the month rather than as the transaction occurred.

NORWOOD REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE
January 1, 2018 to December 31, 2022

The contents of this report were discussed on October 30, 2023 with Stephanie Popplewell, Office Manager, Laura Dillon, Clerk, and Cathy Johnson, Vice-President of the Board.