

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

COMPLIANCE EXAMINATION REPORT

OF

DAWN LAKES REGIONAL SEWER DISTRICT

HUNTINGTON COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

11/15/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 15, 2023

To: The Officials of the Dawn Lakes Regional Sewer District
Dawn Lakes Regional Sewer District
3229 W. 915 N.
Huntington, IN 46750

This report is supplemental to the audit report of the Dawn Lakes 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 Dawn Lakes 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 Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3-5.

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

COMPLIANCE EXAMINATION OF
DAWN LAKES REGIONAL SEWER DISTRICT
Huntington County, Indiana
January 1, 2018 to December 31, 2022

DAWN LAKES REGIONAL SEWER DISTRICT

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

CONTENTS

| | |
|---|---|
| SCHEDULE OF OFFICIALS | 1 |
| INDEPENDENT ACCOUNTANT'S REPORT | 2 |
| SCHEDULE OF EXAMINATION FINDINGS AND RESULTS: | |
| 2022-001: INTERNAL CONTROLS – SEGREGATION OF DUTIES AND MINIMUM STANDARDS ... | 3 |
| 2022-002: INTERNAL CONTROLS – TRAINING | 3 |
| 2022-003: SURETY BOND | 3 |
| 2022-004: MATERIALITY THRESHOLD..... | 4 |
| 2022-005: GATEWAY UPLOADS | 4 |
| 2022-006: CAPITAL ASSETS..... | 4 |
| 2022-007: UNRECONCILED BOND AND INTEREST BANK BALANCE..... | 5 |
| 2022-008: COMPENSATION AND BENEFITS..... | 5 |
| EXIT CONFERENCE | 6 |

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

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-----------------|----------------------|
| Treasurer | Jill Cutshall | 01-01-18 to 12-31-22 |
| President of the Board | Michael Stobb | 01-01-18 to 12-31-22 |

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Dawn Lakes Regional Sewer District ("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 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 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 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 18, 2023

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

FINDING 2022-001: INTERNAL CONTROLS – SEGREGATION OF DUTIES AND MINIMUM STANDARDS

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. . . ."*

Condition: During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit did not appropriately segregate duties within key transaction cycles. We noted that the Treasurer performs all administrative and accounting functions with little to no transactional review by the Board. The Treasurer performs all functions of the receipts process, prepares monthly bank reconciliations without formal review by the Board and issues disbursements without formal review from the Board, which also includes her payroll disbursements. During our testing of cash, it was noted there were variances between the AFR balance and the bank reconciliation balance for calendar years 2021 and 2022.

The Unit has not adopted required internal control standards and has no formal documentation of the implementation of a minimum level of internal controls standards.

FINDING 2022-002: 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 Unit had not met the minimum standards for training set in Indiana Code 5-11-1-27(h).

FINDING 2022-003: SURETY BOND

Criteria: Indiana Code 13-26-2-10 states in part, *"the commissioner shall issue an order directing that the district be established...(b) An order must do the following... (2) provide requirements for sufficient bonds for all officers, trustees, or employees having power to dispense money of the district."*

Condition: During testing, we noted that the Treasurer, who has the authority to disburse funds, does not have a surety bond.

(Continued)

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

FINDING 2022-004: 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.

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

FINDING 2022-005: 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 Unit did not upload the Gateway required monthly and annual uploads for all years under audit.

FINDING 2022-006: 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 also noted the Unit did not have a detailed listing of capital assets owned by the Unit and a physical inventory is not taken at least every two years.

(Continued)

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

FINDING 2022-007: UNRECONCILED BOND AND INTEREST BANK BALANCE

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 Unit did not prepare bank reconciliations for the Bond and Interest bank account in 2018, 2019, 2020, 2021 and 2022. This account is used to pay debt service.

FINDING 2022-008: COMPENSATION AND BENEFITS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Libraries 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 there was no contract to support the Treasurer's salary.

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

The contents of this report were discussed on October 18, 2023 with Jill Cutshall, Treasurer.