

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

COMPLIANCE EXAMINATION REPORT

OF

ROMNEY REGIONAL SEWER DISTRICT

TIPPECANOE COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/05/2023



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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December 5, 2023

To: The Officials of the Romney Regional Sewer District
Romney Regional Sewer District
Tippecanoe County, Indiana

This report is supplemental to the audit report of the Romney Regional Sewer District (District), for the period from January 1, 2019 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 Romney Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2019 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 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

COMPLIANCE EXAMINATION OF
ROMNEY REGIONAL SEWER DISTRICT
Tippecanoe County, Indiana
January 1, 2019 to December 31, 2022

ROMNEY REGIONAL SEWER DISTRICT

Tippecanoe County, Indiana
January 1, 2019 to December 31, 2022

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ROMNEY REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
For the period January 1, 2019 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Daniel N. Korty	01-01-19 to 12-31-21
	Rita Southern	01-01-22 to 12-31-22
President of the Board	John R. Basham, II	01-01-19 to 05-22-22
	Daniel N. Korty	05-23-22 to 12-31-22



INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Romney Regional 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, 2019 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, 2019 to December 31, 2022, as described in items 2022-001 through 2022-005 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, 2019 to December 31, 2022.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
November 29, 2023

ROMNEY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2019 to December 31, 2022

FINDING 2022-001: 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 unit did not upload annual uploads for calendar years 2019, 2021, and 2022.

FINDING 2022-002: 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 the 2019 and 2020 Annual Financial Reports (AFR) did not agree to the reconciled bank balance. An adjustment was posted in the amount of \$96,689 for 2019 and \$72,122 for 2020. The 2021 bank reconciliation improperly included a reconciling item for \$44,155 and an entry was posted to correct the ending cash balance.

FINDING 2022-003: 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.

(Continued)

ROMNEY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2019 to December 31, 2022

FINDING 2022-004: 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. . . ."*

Condition: During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit did not have a formal review process in place for reviewing the Annual Financial Report (AFR) prior to the report being submitted to the Indiana Gateway Portal. It was further noted that a material adjustment had to be posted in calendar year 2020 to reduce receipts and disbursements by \$1,700,000 as they were included in both the 2019 and 2020 AFR.

FINDING 2022-005: BANK ACCOUNT RECONCILIATIONS

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 on at least a monthly basis for the Construction Fund account during calendar year 2019. The Construction Fund account was closed during calendar year 2020.

ROMNEY REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2019 to December 31, 2022

The contents of this report were discussed on November 29, 2023 with Samantha Laffoon, Administrative Assistant Clerk, Bill Kitterman, Board Member and Rita Southern, Treasurer.