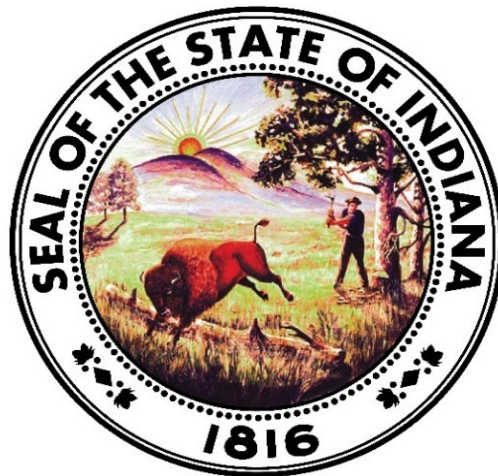


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE EXAMINATION REPORT
OF
TRI-LAKES REGIONAL SEWER DISTRICT
WHITLEY 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
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INDIANAPOLIS, INDIANA 46204-2769

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November 15, 2023

To: The Officials of the Tri-Lakes Regional Sewer District
Tri-Lakes Regional Sewer District
5240 N Old 102
Columbia City, IN 46725

This report is supplemental to the audit report of the Tri-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 Tri-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 page 3.

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
TRI-LAKES REGIONAL SEWER DISTRICT
Whitley County, Indiana
January 1, 2018 to December 31, 2022

TRI-LAKES REGIONAL SEWER DISTRICT

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

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

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Administrator	Carol Martin Heather Palan	01-01-18 to 04-19-21 04-20-21 to 12-31-22
President of the Board	Tim Brower Thomas Wise	01-01-18 to 06-30-20 07-01-20 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Tri-Lakes Regional Sewer District ("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 and 2022-002 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
October 31, 2023

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

FINDING 2022-001: SEVERANCE PAY

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, "Unless specifically authorized by law, severance pay, or other payments to employees upon separation from employment, must be supported by the written opinion of the attorney for the unit stating that the payments are in accordance with all laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance/resolution."

Condition: During testing of payroll, we noted 1 instance, in a sample of 10, in which severance pay was disbursed by the unit. The total amount of severance pay identified as paid was \$1,260.

FINDING 2022-002: INTERNAL CONTROLS - RECEIPTS

Criteria: The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27 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 an internal control deficiency related to the recording and reporting of receipts. One employee collected cash, wrote receipts, posted the receipts to the ledger, prepared the deposit, and took the deposit to the bank without an oversight, approval, or review process in place to ensure the accuracy of the receipts.

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

The contents of this report were discussed on October 31, 2023 with Heather Palan, District Administrator, and Thomas Wise, Board President.