

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

COMPLIANCE EXAMINATION REPORT

OF

ST. JOSEPH COUNTY REGIONAL  
WATER AND SEWER DISTRICT

ST. JOSEPH COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

01/24/2024



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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January 24, 2024

To: The Officials of the St. Joseph County Regional Water and Sewer District  
St. Joseph County Regional Water and Sewer District  
St. Joseph County, Indiana

This report is supplemental to the audit report of the St. Joseph County 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/](http://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 St. Joseph County 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 through 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

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT

St. Joseph County, Indiana  
January 1, 2018 to December 31, 2022

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ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF OFFICIALS  
January 1, 2018 to December 31, 2022

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jessica Clark	01-01-18 to 12-31-22
President of the Board	Barry Skalski Don Smessaert	01-01-18 to 12-31-20 01-01-21 to 12-31-22

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of the St. Joseph County Regional Water and Sewer District

We have examined the St. Joseph County Regional Water and 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 2022-010 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  
January 10, 2024

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2018 to December 31, 2022

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**FINDING 2022-001: 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 our testing, we noted the District was unable to provide a bank reconciliation for the December 31, 2019 year end. Additionally, Crowe notes the District has not implemented a formal review of the bank reconciliation after it has been prepared.

**FINDING 2022-002: DISBURSEMENTS – SUPPORTING DOCUMENTS**

**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 17 instances, in a sample of 50, in which supporting invoice documentation was not provided. The total amount of disbursements identified was \$2,341,913.68. We also noted 5 checks in a sample of 50 which we were not provided check copies and 7 bank statements in a sample of 50, which we were not provided.

**FINDING 2022-003: OVERDRAWN CASH BALANCES**

**Criteria:** Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *"The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit."*

**Condition:** During testing of cash, we noted the Wyatt Operation and Maintenance fund had a negative cash balance of \$19,031 as of December 31, 2020.

**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 District did not have a written policy concerning capital assets and the threshold at which an item is considered a capital asset. The District did have a listing of capital assets; however, the listing did not include acquisition values or dates. We noted that a physical inventory was not taken at least once every two years.

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(Continued)

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2018 to December 31, 2022

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**FINDING 2022-005: 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 B52287.

**Condition:** During testing, we noted that the District did have formal documentation surrounding the implementation of the minimum level of internal controls.

**FINDING 2022-006: 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 District had not met the minimum standards for training set in Indiana Code 5-11-1-27(h). The District was unable to provide documentation supporting that required internal control trainings had been completed.

**FINDING 2022-007: 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, Districts, 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

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(Continued)

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2018 to December 31, 2022

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**FINDING 2022-007: GATEWAY UPLOADS** (Continued)

- 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 had not uploaded any of the required monthly or annual submissions for the audit period.

**FINDING 2022-008: CUSTOMER BILLING RECEIPTS – SUPPORTING DOCUMENTATION**

**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 customer billing receipts, we were unable to obtain the customer billing detail that comprised a \$58,399 cash deposit. Additionally, we were unable to obtain two itemized customer bills, in a sample of ten.

**FINDING 2022-009: OTHER RECEIPTS – SUPPORTING DOCUMENTATION**

**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 other receipts, we were unable to obtain check copies or deposit slips for five selections, in a sample of ten, to ensure the deposit was recorded in the same form it was received, recorded timely, and that it was from an allowable source. The total amount of deposits without appropriate support is \$114,436.

**FINDING 2022-010: CASH – SUPPORTING DOCUMENTATION**

**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 cash, we identified two voided check copies that were incorrectly carried to the December 31, 2018 bank reconciliation as outstanding checks. Management was unable to provide copies of the voided checks.

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE  
January 1, 2018 to December 31, 2022

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The contents of this report were discussed on January 10, 2024, with Steve Carter, Outsourced Accountant, Jessica Clark, Treasurer, and Don Smessaert, President of the Board.