

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

**Paul D. Joyce, CPA
State Examiner**

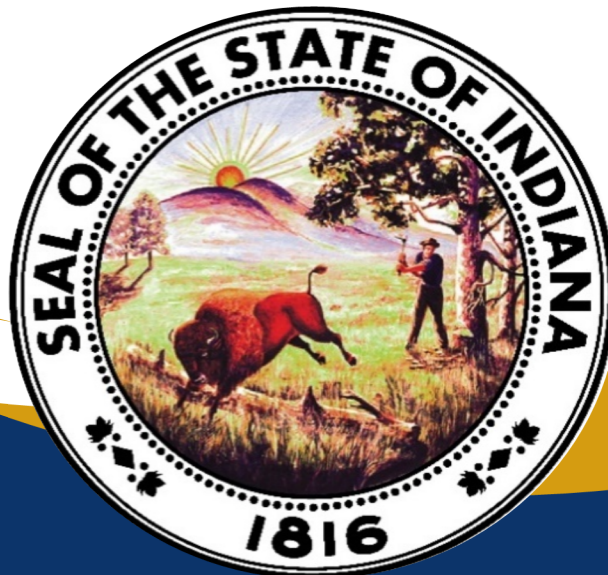
COMPLIANCE ENGAGEMENT REPORT

OF

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

12/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Marianne Peters	01-01-19 to 12-31-24
President of the District Board	Jon Van Vactor	01-01-19 to 12-31-20
	Greg Compton	01-01-21 to 12-31-23
	Jim Masterson	01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE MARSHALL COUNTY SOLID WASTE
MANAGEMENT DISTRICT, MARSHALL COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Marshall County Solid Waste Management District (District), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials is informational only. The Statements of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the Comments below.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Marianne Peters, Director; Lynette Niles, Bookkeeper; and Jim Masterson, President of the District Board, on November 21, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 12, 2024

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the District complied with laws, regulations, and Guidelines over condition of records, annual financial reports, and bank account reconciliations as detailed further in the comments below.

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 OF RECORDS, ANNUAL FINANCIAL REPORT, AND RECONCILED BANK ACCOUNTS

A similar comment also appeared in prior Report B53766, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Internal controls were not in place to ensure the District accurately reported its financial information in the Annual Financial Reports (AFRs) via the Indiana Gateway for Government Units (Gateway) financial reporting system and properly reconciled its bank accounts to its accounting records. The District maintains computerized accounting records. The AFRs reported in Gateway were not supported by the accounting records of the District.

Also, at all times the accounting records maintained by the District should agree to the adjusted bank balances when bank reconciliations are prepared. Bank reconciliations prepared by the District had reconciling items that were not supported. Also, variances were identified that the District could not provide explanations as to why the variances occurred nor the actions taken to correct errors found. Unsupported reconciling items and the variances noted by the District are further discussed in the Bank Account Reconciliation comment below.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT
 COMMENTS
 (Continued)

The table below details the differences noted between the District's accounting records, the AFR, and the bank reconcilements prepared for this engagement.

Year End	Cash and Investment Balance			Differences	
	Accounting Records	AFR	Reconciled Bank Accounts	Between Accounting Records and AFR	Between Accounting Records and Reconciled Bank Accounts
12-31-19	\$ 875,923	\$ 872,587	\$ 876,504	\$ 3,336	\$ (581)
12-31-20	852,728	848,198	853,251	4,530	(523)
12-31-21	888,448	910,225	888,589	(21,777)	(141)
12-31-22	780,761	930,591	779,834	(149,830)	927
12-31-23	666,987	1,040,602	666,987	(373,615)	0

Criteria

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

BANK ACCOUNT RECONCILIATIONS, VARIANCE INVESTIGATION, AND CORRECTION

Condition and Context

Internal controls were not in place to ensure the District properly reconciled its bank accounts to its accounting records and investigated and corrected any errors noted timely and properly. Depository reconciliations of the fund balances to the bank account balances were conducted by the District each month. These reconciliations showed variances between the adjusted bank accounts and the District's accounting records as detailed below. The District was unable to provide explanations as to the cause(s) of the variances noted nor the actions taken to correct errors found. These variance are detailed in the table below.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT
 COMMENTS
 (Continued)

Cash and Investment Balance				
Year End	Adjusted Bank Accounts Per District	Accounting Records	Difference Bank Long (Short)	
12-31-19	\$ 876,504	\$ 875,923	\$	581
12-31-20	853,251	852,728		523
12-31-21	888,589	888,448		141
12-31-22	779,834	780,761		(927)
12-31-23	666,987	666,987		(0)

The bank reconciliations the District prepared included unsupported reconciling items it classified as deposits-in-transit. Deposits-in-transit are deposits that are recorded in the District's ledger but have not yet cleared the bank. The District reported eight deposits-in-transit totaling \$5,799.07 as of December 31, 2019, 2020, and 2021, and as of December 31, 2022 and 2023, the District reported three deposits-in-transit totaling \$5,874. The dates for the eight deposits-in-transit in 2019, 2020, and 2021 ranged anywhere from 2015 to 2018, and the dates for the three deposits-in-transit in 2022 and 2023, were all listed as 2022. Standard procedures for the Indiana State Board of Accounts engagements are to look at the following month's bank statements to verify if outstanding transactions listed on the year-end bank reconciliation were clearing the bank. During our engagement, we did not see any reported deposits-in-transit clear the bank. It is not common for deposits-in-transit to stay outstanding for months and years on end. Deposits-in-transit will typically clear the bank within a month or two from the date it was recorded in the ledger. The District should investigate all outstanding transactions each month to determine why those transactions have not yet cleared the bank. The table below illustrates the variances between the adjusted bank accounts and the District's accounting recording if the unsupported deposits-in-transit are not included on the bank reconciliations:

Cash and Investment Balance				
Year End	Adjusted Bank Accounts Per District	Accounting Records	Difference Bank Long (Short)	
12-31-19	\$ 870,705	\$ 875,923	\$	(5,218)
12-31-20	847,452	852,728		(5,276)
12-31-21	882,790	888,448		(5,658)
12-31-22	773,860	780,761		(6,901)
12-31-23	661,113	666,987		(5,874)

Criteria

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)