

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

COMPLIANCE ENGAGEMENT REPORT

OF

EAST ENTERPRISE REGIONAL SEWER DISTRICT

SWITZERLAND COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
05/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Bookkeeper	Debbie Vann	01-01-19 to 12-31-24
Treasurer	Norman Supe Melissa Jones	01-01-19 to 01-22-23 01-23-23 to 12-31-24
President of the District Board	Carol Conner Cristina Dixon	01-01-19 to 12-31-19 01-01-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EAST ENTERPRISE REGIONAL
SEWER DISTRICT, SWITZERLAND COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the East Enterprise Regional Sewer 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 and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

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 Debbie Vann, Bookkeeper; Cristina Dixon, President of the District Board; and Carol Conner, District Board member, on May 16, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 18, 2024

EAST ENTERPRISE REGIONAL SEWER DISTRICT COMMENTS

CONDITION OF RECORDS

Condition and Context

The Indiana State Board of Accounts has established a system of accounting through the development of prescribed forms. The District did not use the prescribed forms, or the forms were not used properly to report financial activity.

The following issues were identified with the financial records maintained:

- Bank reconciliations for the Maintenance and Improvement fund were not completed from the time of the establishment of the fund in March 2023 through the end of the engagement period in December 2023.
- A checkbook register was used to maintain financial activity for the Maintenance and Improvement fund instead of the prescribed form. In addition to documenting receipts, disbursements, and balances, the prescribed form has a system to categorize the receipt and disbursement financial activity.
- Interest of \$23 was not reported for the Maintenance and Improvement Savings fund.
- Receipts were not always issued to document the amount received, from whom the monies were received, and the source. When receipts were issued, a pre-numbered prescribed receipt form was not used. The prescribed receipt form provides for the pre-numbering of the receipts by the supplier to provide internal controls and accountability over the receipts issued.
- Accounts payable vouchers were not numbered to provide for referencing and accountability of the forms used to support disbursements.

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."

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 1).

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:

EAST ENTERPRISE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

"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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Due to insufficient internal controls, a \$30 penalty was paid to the Indiana Department of Revenue for late submission of tax forms.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1).

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MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with the State Examiner Directive 2018-1. The District failed to upload into the Indiana Gateway for Government Units financial reporting system the required monthly and annual files for the years 2019 through 2023. After being contracted by the Indiana State Board of Accounts staff, the Bookkeeper uploaded all five years of applicable monthly and annual information, except cancelled checks for the Operating bank account, and bank statements and reconcilements for the Maintenance and Improvement Savings fund.

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, approved District Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

EAST ENTERPRISE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, an annual employee earning record (without SS#), and an annual funds ledger.

Criteria

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. (State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

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:

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CAPITAL ASSETS

Condition and Context

The District did not have a proper system of internal controls in place to account for and safeguard assets. The District had adopted a capital assets policy identifying the threshold of assets to be capitalized as \$5,000. However, a capital asset listing detailing the assets owned was not maintained. Additionally, a complete physical inventory of assets had not been taken in the last two years.

EAST ENTERPRISE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Criteria

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

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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:

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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EAST ENTERPRISE REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
East Enterprise Regional Sewer District Operating Fund	\$ 18,853	\$ 148,567	\$ 154,029	\$ 13,391	\$ 158,946	\$ 124,398	\$ 47,939
Totals	<u>\$ 18,853</u>	<u>\$ 148,567</u>	<u>\$ 154,029</u>	<u>\$ 13,391</u>	<u>\$ 158,946</u>	<u>\$ 124,398</u>	<u>\$ 47,939</u>

EAST ENTERPRISE REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
East Enterprise Regional Sewer District Operating Fund	\$ 47,939	\$ 144,103	\$ 120,681	\$ 71,361	\$ 140,565	\$ 133,364	\$ 78,562
Totals	<u>\$ 47,939</u>	<u>\$ 144,103</u>	<u>\$ 120,681</u>	<u>\$ 71,361</u>	<u>\$ 140,565</u>	<u>\$ 133,364</u>	<u>\$ 78,562</u>

EAST ENTERPRISE REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
East Enterprise Regional Sewer District Maintenance and Improvement Savings Fund	\$ -	\$ 41,000	\$ -	\$ 41,000
East Enterprise Regional Sewer District Operating Fund	<u>78,562</u>	<u>132,547</u>	<u>161,753</u>	<u>49,356</u>
Totals	<u>\$ 78,562</u>	<u>\$ 173,547</u>	<u>\$ 161,753</u>	<u>\$ 90,356</u>