

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

COMPLIANCE ENGAGEMENT REPORT

OF

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT

JEFFERSON COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

06/26/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the District Board	Gary Maas	01-01-19 to 12-31-24
Treasurer	Susan Culbreth	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TELEGRAPH HILL-RYKERS RIDGE REGIONAL
SEWER DISTRICT, JEFFERSON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Telegraph Hill-Rykens Ridge 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 Gary Maas, President of the District Board, on June 20, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

June 20, 2024

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS

CAPITAL ASSETS

A similar comment appeared in a Management Letter addressed to the Treasurer and the Board of Trustees for the prior engagement period ending December 31, 2018.

Condition and Context

Internal control deficiencies resulted in noncompliance over the District's capital assets. No capital asset policy was adopted by the District as of the end of the period of engagement. Additionally, no detailed listing of capital assets was presented for review nor evidence of a physical inventory of capital assets being taken.

Capital assets totaling \$1,991,121 were reported as of December 31, 2023, in the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system.

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)

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. . . ."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Similar comments appeared in prior Report B54044, entitled *INTERNAL CONTROLS, ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING*, and *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Condition and Context

Internal controls were not in place to ensure that internal control standards were adopted as required, all applicable employees received training on those standards, and the District correctly certified on the Annual Financial Report (AFR) filed in the Indiana Gateway for Government Units (Gateway) financial reporting system that it had or had not adopted the minimum internal control standards and that all of the required personnel had or had not received training. The District Board had not adopted the required minimum internal control standards, nor provided training to all personnel on internal controls. The District's contractual accountant incorrectly certified in the AFR in Gateway that it had adopted the minimum internal control standards and that all of the required personnel had received training on those standards. There was no evidence presented to indicate anyone from the District performed an independent review, oversight, or approval process to ensure accuracy of the information reported in the AFR.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

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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TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

**BOARD MEETINGS, BOARD MEETING MINUTES, AND CLAIMS
PAID IN ADVANCE OF ALLOWANCE BY DISTRICT BOARD**

Condition and Context

Internal controls did not ensure that the District Board met as needed, minutes of all meetings were maintained, and claims were approved by the District Board before a warrant for payment was issued. No meetings of the District Board were held from January 2021 through April 2022. No District Board minutes were presented for review for August 2023 through March 2024 and District personnel could not confirm if any meetings were held during this timeframe.

The approval of claims by the entire District Board only occurred when they met in person, as confirmed by the President of the District Board. Claims were approved on a more frequent basis; however, this was only by one member of the District Board and not the District Board as a whole. No process or provision for approving payments in advance, as passed via the District Board ordinance, was in place.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Indiana Code 13-26-5-9 states:

"(a) As used in this section, 'electronic funds transfer' means a transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, a telephone, a computer, magnetic tape, or other electronic means to order, instruct, or authorize a financial institution to debit or credit an account.

(b) A board may adopt an ordinance allowing money to be disbursed for lawful district purposes under this section.

(c) As part of an ordinance adopted under subsection (b), or by a separate ordinance adopted by the board, the board may authorize the district to do one (1) or both of the following through an electronic funds transfer method of payment:

- (1) Pay claims owed by the district.
- (2) Receive payments owed to the district.

If the board adopts an ordinance to grant the district the authority described in subdivision (1), the district may pay money from its funds by electronic funds transfer. However, the authority granted to a district by this subsection does not affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.), and a regional district that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by the regional district.

(d) Notwithstanding [IC 5-11-10](#), with the prior written approval of the board, the fiscal officer of the district may make claim payments in advance of board allowance for the following kinds of expenses if the board has adopted an ordinance under subsection (b):

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs for which advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance or service agreements.
- (8) Leases or rental agreements.
- (9) Bond or coupon payments.
- (10) Payroll.

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

(11) State or federal taxes.

(12) Expenses that must be paid because of emergency circumstances.

(13) Expenses described in an ordinance.

(e) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer of the district.

(f) The board shall review and allow a claim paid under subsection (d) at the board's next regular or special meeting following the preapproved payment of the expense."

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.

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MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1. No annual uploads were done for the engagement period. No monthly uploads were done for 2019, 2020, or 2022. Monthly uploads for 2021 and 2023 were incomplete.

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)

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

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 3)

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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SUPPORTING DOCUMENTATION

Condition and Context

Internal controls were not in place to ensure that all disbursements in the engagement period were properly supported. Supporting documentation was not provided for review for 2019 disbursements totaling \$495,466.

Criteria

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. (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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TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

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

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TELEGRAPH HILL-RYKERS RIDGE 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
PHASE 3 - DEBT RESERVE CASH	\$ 89,387	\$ 4,846	\$ -	\$ 94,233	\$ 4,848	\$ -	\$ 99,081
Debt Reserve Ph 1 & 2	41,157	21	-	41,178	21	-	41,199
PHASE 3 REPAIR FUND	60,046	30	-	60,076	29	15,000	45,105
Cash On Hand	200	-	-	200	-	-	200
Depreciation Reserve - Ph 1 & 2	151,613	24,081	-	175,694	24,094	-	199,788
Operating Account - Ph 1 & 2	107,087	284,310	239,767	151,630	278,696	297,285	133,041
Operating Account - Ph 3	63,546	231,733	255,699	39,580	262,698	258,601	43,677
Totals	<u>\$ 513,036</u>	<u>\$ 545,021</u>	<u>\$ 495,466</u>	<u>\$ 562,591</u>	<u>\$ 570,386</u>	<u>\$ 570,886</u>	<u>\$ 562,091</u>

TELEGRAPH HILL-RYKERS RIDGE 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
PHASE 3 - DEBT RESERVE CASH	\$ 99,081	\$ 4,844	\$ -	\$ 103,925	\$ 4,843	\$ -	\$ 108,768
Debt Reserve Ph 1 & 2	41,199	15	-	41,214	6	-	41,220
PHASE 3 REPAIR FUND	45,105	17	-	45,122	7	-	45,129
Cash On Hand	200	-	-	200	-	-	200
Depreciation Reserve - Ph 1 & 2	199,788	22,091	-	221,879	26,095	-	247,974
Operating Account - Ph 1 & 2	133,042	282,070	292,791	122,321	280,793	339,370	63,744
Operating Account - Ph 3	43,676	263,526	228,394	78,808	280,758	228,451	131,115
Totals	<u>\$ 562,091</u>	<u>\$ 572,563</u>	<u>\$ 521,185</u>	<u>\$ 613,469</u>	<u>\$ 592,502</u>	<u>\$ 567,821</u>	<u>\$ 638,150</u>

TELEGRAPH HILL-RYKERS RIDGE 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
PHASE 3 - DEBT RESERVE CASH	\$ 108,768	\$ 4,859	\$ -	\$ 113,627
Debt Reserve Ph 1 & 2	41,220	21	-	41,241
PHASE 3 REPAIR FUND	45,129	23	-	45,152
Cash On Hand	200	-	-	200
Depreciation Reserve - Ph 1 & 2	247,974	24,161	-	272,135
Operating Account - Ph 1 & 2	63,744	295,187	282,859	76,072
Operating Account - Ph 3	131,115	281,821	312,890	100,046
Totals	<u>\$ 638,150</u>	<u>\$ 606,072</u>	<u>\$ 595,749</u>	<u>\$ 648,473</u>