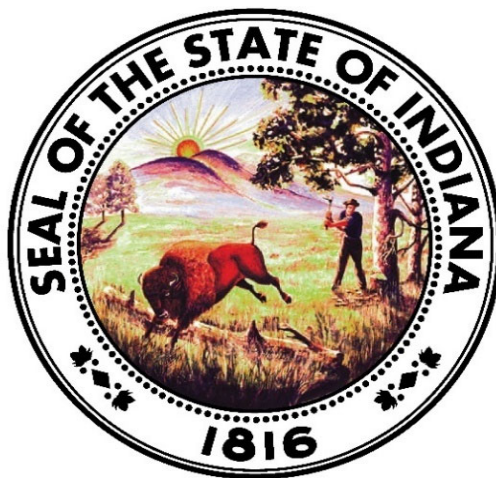


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE EXAMINATION REPORT
OF
FRIENDSHIP REGIONAL SEWER DISTRICT
RIPLEY COUNTY, INDIANA
January 1, 2019 to December 31, 2022



FILED
03/18/2024



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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March 18, 2024

To: The Officials of the Friendship Regional Sewer District
Friendship Regional Sewer District
Ripley County, Indiana

This report is supplemental to the audit report of the Friendship Regional Sewer District (District), for the period from January 1, 2019 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 Friendship Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2019 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 and 4.

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
FRIENDSHIP REGIONAL SEWER DISTRICT
Ripley County, Indiana
January 1, 2019 to December 31, 2022

FRIENDSHIP REGIONAL SEWER DISTRICT

Ripley County, Indiana
January 1, 2019 to December 31, 2022

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FRIENDSHIP REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2019 to December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Samantha O'Neil	01-01-19 to 12-31-22
President of the Board	Glen Kamman	01-01-19 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Friendship Regional Sewer District

We have examined the Friendship 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, 2019 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, 2019 to December 31, 2022, as described in items 2022-001 through 2022-006 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, 2019 to December 31, 2022.


Crowe LLP

Indianapolis, Indiana
March 8, 2024

FRIENDSHIP REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2019 to December 31, 2022

FINDING 2022-001: BANK ACCOUNT RECONCILIATION REVIEW

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 testing of bank reconciliations, Crowe noted that the district does not prepare a bank reconciliation monthly. The board reviews the bank statements but is not reviewing a reconciliation to ensure accuracy of records.

FINDING 2022-002: CONDITION OF RECORDS – RECEIPT LISTINGS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Special Districts states in part, *"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."*

Condition: During testing, we noted the District was not able to provide listings of non-sewage fee revenue. The District classified all non-sewage fee revenue within the sewage fee line on the Annual Financial Report (AFR), but is unable to reconcile the total amount of non-sewage fee revenue due to not appropriately tracking this activity.

FINDING 2022-003: CONDITION OF RECORDS – DISBURSEMENT LISTINGS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts states in part, *"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."*

Condition: During testing, we noted the District did not provide detailed disbursement listings from the subsidiary ledgers or check registers to show the list of payments made during the audit period. The District prepared a yearly summary of disbursements that had a monthly total by category, but the listing did not break out the total payments by check or voucher number. We utilized the bank statement activity to tie total disbursements per the statements back to the disbursement amounts recorded on the AFR. We sampled disbursements for the four years under audit from the bank statements.

(Continued)

FRIENDSHIP REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2019 to December 31, 2022

FINDING 2022-004: MISSING 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, 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. 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
- 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 Unit did not upload any of the monthly or annual required documents to Gateway for 2019 through 2022.

FINDING 2022-005: 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 fund balances, we noted the following Sinking Fund Bond & Interest fund was overdrawn by \$ 23,640 for the year ending December 31, 2019, \$51,441 for the year ending December 31, 2020, and \$57,570 for the year ending December 31, 2021.

FINDING 2022-006: SUPPORTING DOCUMENTATION - MISSING INVOICES

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 five instances, in a sample of 35, in which the supporting invoices could not be provided. The total amount of disbursements that the missing invoices pertained to was \$43,517.

FRIENDSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2019 to December 31, 2022

The contents of this report were discussed on March 8, 2024 with Tony Wood, District Superintendent, Scott Stutler, President of the Board, and Samantha Fuentes, Treasurer.