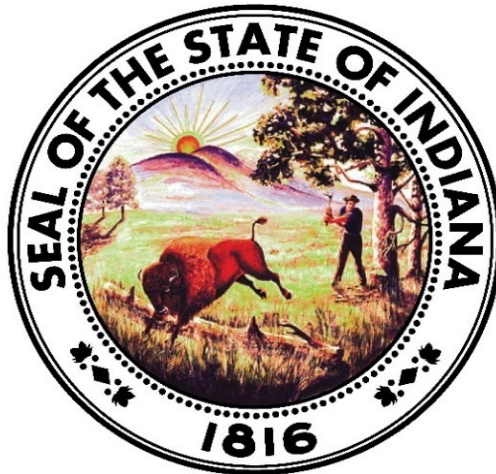


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE ENGAGEMENT REPORT
OF
WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
WHITLEY COUNTY, INDIANA
January 1, 2019 to December 31, 2022



FILED
04/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jorell Tucker	01-01-19 to 02-03-23
	(Vacant)	02-04-23 to 03-26-23
	Tara Meyers	03-27-23 to 12-31-24
President of the District Board	Thor Hodges	01-01-19 to 12-31-20
	Ryan Daniel	01-01-21 to 12-31-22
	Theresa Baysinger	01-01-23 to 12-31-24



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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Whitley County Solid Waste Management District (District), for the period of January 1, 2019 to December 31, 2022. 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.

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 Tara Meyers, Director; Theresa Baysinger, President of the District Board; Chad Banks, District Board member; and Madalyn Sade-Bartl, District Board member, on March 14, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 20, 2024

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies allowed noncompliance to occur as detailed in the following comments. They are:

Payroll

- Payroll taxes were not remitted timely, and, subsequently, penalties, interest, and other charges were assessed and paid.
- Duplicate remittances of payroll taxes were made.
- The District did not approve a formal Salary Ordinance for salaries and wages paid to the District employees during the engagement period.
- Time records to support hours worked were inconsistent with each other.

Disbursements

- Lack of supporting documentation as to what was being paid and how the amount being paid was determined.
- Paid without the associated invoices or bills being approved by the officer or person receiving the goods and services.
- Paid prior to approval by the District Board.

Receipts

- Not all receipts were presented for review or were not retained in numerical order or by another methodology.
- The division of bank deposit between cash, check, etc. was inconsistent with corresponding receipts' notation of cash, check, etc., received.

Bank reconcilements

- Not prepared timely.

Reporting

- Required monthly and annual documents were not uploaded in the Indiana Gateway for Government Units.

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:

WHITLEY COUNTY SOLID WASTE MANAGEMENT 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.

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

Condition and Context

Receipt documentation presented for review was incomplete and/or not retained in a systematic method such as numerically. Receipts and source documents were not presented for the period January 1, 2019 through May 31, 2020. Monthly receipt files were presented for the period June 1, 2020 through December 31, 2022, but these were not all retained in a systemic method and omitted receipts and source documents were noted. During a test of receipts, only 2 receipts out of 20 selected for testing could be located and no source documents could be located for any of the 20 receipts selected for testing.

Accounts payable voucher registers were not presented for review for the August 24, 2020 payroll, nor for the months of June and July of 2020. Accounts payable vouchers for remittance of payroll taxes were identified that did not have supporting documentation as to how the amount remitted was determined, or what time period the remittance was applicable to. Two such instances were noted in 2020 totaling \$10,020 remitted to the Federal Internal Revenue Service (IRS).

Not all Employer's Quarterly Federal Tax Returns, IRS form 941 or Indiana Department of Revenue Annual Withholding Tax Form WH-3 were presented for review.

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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The District did not remit payroll taxes timely. During the engagement period, 22 of 48 monthly remittances for federal, state, and local income taxes were late. As a result, the District paid penalties, interest, and other charges totaling \$2,698 to the Federal Internal Revenue Service (IRS) and \$430 to the Indiana Department of Revenue for amounts attributable to the engagement period. Included in the amounts paid to the IRS was \$1,205, which was subject to a lien and garnished directly, along with a bank garnishment fee of \$125, from the District's bank account on September 17, 2020, for the tax period ending in December of 2013.

Criteria

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)

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)

OVERPAYMENT COLLECTIONS

Condition and Context

Three duplicate payments were made to the Internal Revenue Service totaling \$5,410 for tax periods in 2020 paid in 2021, and 2022 paid in 2023.

Criteria

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

COMPENSATION AND BENEFITS

Condition and Context

The District did not approve a formal Salary Ordinance for salaries and wages paid to District employees during the engagement period.

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECORD OF HOURS WORKED

Condition and Context

Manual employee service records (time records) did not always agree with the computer-generated Hours Report Detail used for paying part-time hourly employees. Testing of 16 individual time records, which were signed by the employee and the Director, for part-time hourly employees, revealed that 3 time records did not match the Hours Report Detail. In all 3 time records, the Hours Report Detail, used to determine pay, exceeded the time records ranging from 1 hour to 16.5 hours.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

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

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

MAKEUP OF RECEIPT DEPOSITS

Condition and Context

The bank deposit makeup (cash and check) did not agree to the receipt for 6 of the 20 receipts tested during the engagement period. In all 6 instances, the total deposit agreed with the total of the receipts, but the classification of receipt varied from \$5 to \$30 between cash and checks.

Criteria

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS

Condition and Context

Out of twenty vendor claims selected for testing during the engagement period, the following errors were noted:

- Thirteen claims were not approved by an officer or person receiving the goods or services; eleven claims were certified/allowed after payment, by as many as 45 days, by the Director and the District Board.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (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; and
- (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. . . ."

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
COMMENTS
(Continued)

TIMELINESS OF BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank reconciliations were not timely completed during the engagement period. During 2020, the September, October, and November reconciliations were not completed until January 4, 2021. During 2022, the September and October reconciliations were not completed until December 4, 2022.

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."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

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

Annual upload requirements include the year-end bank statements, year-end outstanding check lists, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinances, and an annual vendor history report.

The District did not comply with the State Examiner Directive and failed to upload any of the required monthly files for 2019, nor any annual files for all four years of 2019-2022, on the Indiana Gateway for Government Units financial reporting system.

Criteria

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)

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)

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

WHITLEY COUNTY SOLID WASTE MANAGEMENT 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
GENERAL FUND	\$ 770,072	\$ 838,988	\$ 782,922	\$ 826,138	\$ 824,622	\$ 836,703	\$ 814,057
PAYROLL	<u>7,337</u>	<u>105,154</u>	<u>108,107</u>	<u>4,384</u>	<u>102,875</u>	<u>104,018</u>	<u>3,241</u>
Totals	<u>\$ 777,409</u>	<u>\$ 944,142</u>	<u>\$ 891,029</u>	<u>\$ 830,522</u>	<u>\$ 927,497</u>	<u>\$ 940,721</u>	<u>\$ 817,298</u>

WHITLEY COUNTY SOLID WASTE MANAGEMENT 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
GENERAL FUND	\$ 814,057	\$ 859,923	\$ 877,426	\$ 796,554	\$ 841,968	\$ 984,367	\$ 654,155
PAYROLL	3,241	107,852	109,895	1,198	114,757	110,662	5,293
Totals	<u>\$ 817,298</u>	<u>\$ 967,775</u>	<u>\$ 987,321</u>	<u>\$ 797,752</u>	<u>\$ 956,725</u>	<u>\$ 1,095,029</u>	<u>\$ 659,448</u>