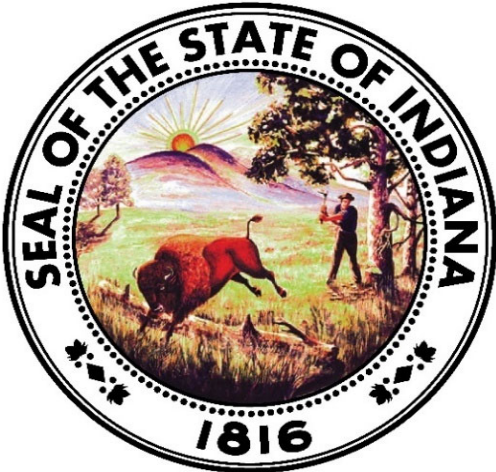


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

COMPLIANCE ENGAGEMENT REPORT  
OF  
MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
MONTGOMERY COUNTY, INDIANA  
January 1, 2019 to December 31, 2023



**FILED**  
06/12/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Compliance Report .....	3-4
Comments .....	5-6
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	9-11
Official Response .....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the District Board	Phil Bane	01-01-19 to 04-15-19
	(Vacant)	04-16-19 to 06-23-19
	Dan Guard	06-24-19 to 12-31-24
Treasurer	Lori Dossett	01-01-19 to 06-30-19
	Amy Canting	07-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE MONTGOMERY REGIONAL SEWER  
DISTRICT, MONTGOMERY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Montgomery 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 Dan Guard, President of the District Board; Amy Canting, Treasurer; and Lana Beregszazi, Executive Director, on May 23, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 19, 2024

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
COMMENTS

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place to ensure a capital asset policy was adopted. The District did not adopt a capital asset policy that detailed the threshold at which an item is considered a capital asset. In addition, the District did not properly maintain a complete inventory of capital assets owned by the District. There were no capital asset records presented for the engagement to support the capital assets reported on the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system.

*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. . . ."

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 detailed 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 the Special District, Chapter 1)

**MATERIALITY THRESHOLD**

The same comment also appeared in prior Report B55178.

*Condition and Context*

Internal controls were not in place to ensure the District was in compliance with State Examiner Directive 2015-6. Management of the District had not approved a materiality threshold during the engagement period.

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
COMMENTS  
(Continued)

*Criteria*

In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. For example, a \$500 variance in Fort Wayne is not necessarily as concerning as a \$500 variance in Pershing Township, Jackson County. On the other hand, a \$100 variance in Fort Wayne that occurs every Friday may be material. Moreover, each political subdivision is the best determiner of the qualitative and quantitative factors unique to the unit in arriving at materiality.

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, it is imperative that the political subdivision have a policy in place that outlines the steps to be taken. Such a policy must include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

The policy must be detailed, and it is essential that materiality thresholds distinguish between incidents involving cash and other types of assets. The policy needs to address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

The policy must also consider Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney. There is *no* materiality threshold applicable to Ind. Code § 5-11-1-27(l). Thus, whenever a political subdivision has actual knowledge or is reasonably certain that a misappropriation of public funds has occurred (regardless of the dollar amount), the political subdivision must send written notice of the misappropriation to the State Board of Accounts and the local prosecuting attorney. Misappropriation occurs when an employee or in-house contractor of the political subdivision wrongly takes or embezzles public funds. When there is a known misappropriation or embezzlement of public funds by an internal actor, materiality is irrelevant. Indiana law requires the political subdivision to report the activity to the State Board of Accounts and the local prosecutor. Ind. Code § 5-11-1-27(l).

(State Examiner Directive 2015-6)

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. . . ."

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

(This page intentionally left blank.)

MONTGOMERY COUNTY 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
MCRSD MCRSD	\$ 246,889	\$ 436,630	\$ 312,060	\$ 371,459	\$ 210,032	\$ 287,414	\$ 294,077
Totals	<u>\$ 246,889</u>	<u>\$ 436,630</u>	<u>\$ 312,060</u>	<u>\$ 371,459</u>	<u>\$ 210,032</u>	<u>\$ 287,414</u>	<u>\$ 294,077</u>

MONTGOMERY COUNTY 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
MCRSD MCRSD	\$ 294,077	\$ 205,965	\$ 269,202	\$ 230,840	\$ 271,643	\$ 321,481	\$ 181,002
Totals	<u>\$ 294,077</u>	<u>\$ 205,965</u>	<u>\$ 269,202</u>	<u>\$ 230,840</u>	<u>\$ 271,643</u>	<u>\$ 321,481</u>	<u>\$ 181,002</u>

MONTGOMERY COUNTY 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
MCRSD MCRSD	\$ 181,005	\$ 328,028	\$ 413,229	\$ 95,804
Totals	<u>\$ 181,005</u>	<u>\$ 328,028</u>	<u>\$ 413,229</u>	<u>\$ 95,804</u>



---

Montgomery County Regional Sewer District  
P.O. Box 531  
Ladoga, IN 47954

June 2, 2024

To whom it may concern:

This is the official response of the Montgomery County Regional Sewer District (MCRSD) Board to the State Board of Accounts (SBOA) concerning the conclusion of the audit for the period of January 1, 2019 to December 31, 2023 marked by the exit conference held on May 23, 2024. In response, the Board is committed to executing a Corrective Actions Plan (CAP) including but not limited to the following:

- Adopting a Capital Asset Policy detailing the threshold for capitalization of long-lived assets that meet the policy standards in accordance with Governmental Accounting Standards Board (GASB) guidance (e.g. Statement No. 34). Furthermore, an inventory record of capital assets shall be kept to account for capital assets including historical acquisition cost and physical inventory every two (2) years.
- Adopting a Materiality Threshold detailing USD value of variances, losses, shortages, and/or theft incidents involving cash and other types of assets. If the threshold is exceeded in any incident, the SBOA shall be notified. The policy shall also address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

Sincerely,

A handwritten signature in black ink that reads "Dan Guard". The signature is written in a cursive style with a long horizontal line extending to the right.

Dan Guard  
President, MCRSD