

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

**Paul D. Joyce, CPA
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

WESTERN WAYNE REGIONAL SEWAGE DISTRICT

WAYNE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

04/16/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-11
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gary Rubendall	01-01-21 to 12-31-25
President of the District Board	Dan Worl	01-01-21 to 04-18-21
	Susie Dungan	04-19-21 to 12-31-24
	James Cohen	01-01-25 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE WESTERN WAYNE REGIONAL
SEWAGE DISTRICT, WAYNE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Western Wayne Regional Sewage District (District), for the period of January 1, 2021 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.

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 Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statement) are informational only. The Statement has not been subjected to any procedures designed to express an opinion or provide any assurance on it, and, accordingly, we do not express an opinion or provide any assurance on it.

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 Michael Stuckey, Superintendent; James Cohen, President of the District Board; and Brock Gettinger, District Board member, on March 25, 2025.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 7, 2024

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS

INTERNAL CONTROLS - SEGREGATION OF DUTIES - ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report is prepared and uploaded into the Indiana Gateway for Government Units financial reporting system by a contracted CPA Firm; no other review, oversight, or approval process performed by the District.

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. . . ."

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the District complied with laws, regulations, and uniform compliance guidelines. Noncompliance identified over the following comments as detailed further in the comments below:

- Annual Financial Report
- Bad Debts and Uncollectible Accounts
- Bank Account Reconciliations
- Capital Assets
- Monthly and Annual Uploads
- Receipt Issuance

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

- Timely Recording
- Training and Certification on Internal Controls
- Compensation and Benefits

Criteria

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ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District did not include information regarding receipts or disbursements on the AFRs, leading to incorrect ending balances for 2021 and 2022 and an incorrect beginning balance for 2022, resulting in the following errors:

Financial Information

2021

- The Enterprise Operating Wastewater Operating receipts were understated by \$3,471,010 and disbursements were understated by \$2,781,320.
- The Enterprise Operating SE Operating receipts were understated by \$15,170.
- The Enterprise Operating System Rehab Fund receipts were understated by \$542 and disbursements were understated by \$85,862.
- The Enterprise Operating Equipment Fund receipts were understated by \$667.

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

- The Enterprise Operating Operating Savings Fund receipts were understated by \$377.
- The SRFWW Western Wayne RSD B&I receipts were understated by \$32,067.
- The SRFWW Western Wayne Reserve 2021A receipts were understated by \$15,131.
- The SRFWW Western Wayne 2021A receipts and disbursements were understated by \$899,688.
- The SRFWW Western Wayne Local Construction 2021 receipts were understated by \$1,000,014.
- The SRF Western Wayne Reserve 2021B receipts were understated by \$3,000,040.
- The SRFWW Western Wayne RSD B&I ending balance was understated by \$32,067.
- The SRFWW Western Wayne Reserve 2021A ending balance was understated by \$15,131.
- The SRFWW Western Wayne Local Construction 2021 ending balance was understated by \$1,000,014.
- The SRF Western Wayne Reserve 2021B ending balance was understated by \$3,000,040.

2022

- The Enterprise Operating Wastewater Operating receipts were understated by \$1,905,948, and disbursements were understated by \$1,658,132.
- The Enterprise Operating SE Operating receipts were understated by \$15,587.
- The Enterprise Operating System Rehab Fund receipts were understated by \$571.
- The Enterprise Operating Equipment Fund receipts were understated by \$1,033.
- The Enterprise Operating Operating Savings Fund receipts were understated by \$592.
- The SRFWW Western Wayne RSD B&I receipts were understated by \$875,611, and disbursements understated by \$311,910.
- The SRFWW Western Wayne Reserve 2021A receipts were understated by \$198,369.
- The SRFWW Western Wayne 2021A receipts and disbursements were understated by \$10,329,831.
- The SRFWW Western Wayne Spec Rev B&I receipts were understated by \$203,586.
- The SRFWW Western Wayne Local Construction 2021 receipts were understated by \$11,071.

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

- The SRFWW Western Wayne Reserve 2021B receipts were understated by \$33,214.
- The SRFWW Western Wayne RSD B&I beginning cash balance was understated by \$32,067, and the ending cash balance was understated by \$595,768.
- The SRFWW Western Wayne Reserve 2021A beginning cash balance was understated by \$15,131, and the ending cash balance was understated by \$213,500.
- The SRFWW Western Wayne Spec Rev B&I ending cash balance was understated by \$203,586.
- The SRFWW Western Wayne Local Construction 2021 beginning cash balance was understated by \$1,000,014, and the ending cash balance was understated by \$1,011,085.
- The SRFWW Western Wayne Reserve 2021B beginning cash balance was understated by \$3,000,040, and the ending cash balance was understated by \$3,033,254.

Information reported in the AFR was used to compile the financial statement presented in this report. Adjustments were proposed, approved by the District, and made to the financial statement.

Accounts Payable/Accounts Receivable

The accounts receivable and accounts payable information entered into Gateway contained the following errors:

- The accounts receivable were reported as \$0.
- The accounts payable were reported as \$0.

Debt

The debt information entered into Gateway contained the following errors:

- The Taxable Sewage Works Revenue Bonds, Series 2021A, with ending principal balance as of December 31, 2022, of \$14,525,000 and principal due within one year of \$585,000 was not included.
- The Taxable Sewage Works Special Revenue Bonds, Series 2021B, with ending principal balance as of December 31, 2022, of \$3,000,000 was not included.

Criteria

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The same comment appeared in prior Report B57163.

Condition and Context

The District did not have a written policy for bad debts or uncollectible accounts receivable.

Criteria

The governing body of a unit must have a written policy concerning a procedure for the writing off bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The District did not perform reconcilements for six Bank of New York Mellon accounts to its ledger. When these bank accounts were included in the reconcilements for purposes of the engagement, only trivial differences between the adjusted bank accounts and accounting records were noted.

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."

CAPITAL ASSETS

A similar comment appeared in prior Report B57163.

Condition and Context

The District does not have a capital asset policy detailing the threshold at which an item was considered a capital asset. The District did not maintain a complete, detailed listing of all capital assets owned that reflected their acquisition value. Additionally, the District does not perform an inventory of capital assets at least every two years. The District reported on the Annual Financial Report assets of \$8,171,565 at the end of 2022.

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 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 Special Districts, Chapter 1)

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

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

Annual upload requirements include the year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, an annual vendor history report, and the annual funds ledger, summarizing total receipts, disbursements, and balances by fund.

The District did not comply with the State Examiner Directive 2018-1 and did not properly upload a portion of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2021 and any of the monthly and annual files for 2022.

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)

RECEIPT ISSUANCE

Condition and Context

The District did not issue prescribed form 352, Receipt, for 16 of the 24 tested receipts recorded in the District's ledger.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (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 Districts, Chapter 1)

TIMELY RECORDING

Condition and Context

The District did not record receipts or disbursements for six Bank of New York Mellon accounts for 2021 or 2022 in its accounting records. These transactions were for the Wastewater Treatment Plant Expansion project.

WESTERN WAYNE REGIONAL SEWAGE DISTRICT
COMMENTS
(Continued)

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

TRAINING AND CERTIFICATION ON INTERNAL CONTROLS

Condition and Context

The District did not train all relevant employees on internal controls. As a result, the District incorrectly certified on the Annual Financial Report that the District had trained employees on internal controls.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

COMPENSATION AND BENEFITS

Condition and Context

The District paid a full-time employee \$2,915 more than the salary ordinance allowed in 2021. On February 17, 2025, the District Board retroactively approved the employee's pay rate through an updated 2021 salary ordinance.

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)



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



WESTERN WAYNE REGIONAL SEWAGE 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
Enterprise Operating Wastewater Operating	\$ 1,051,921	\$ 3,471,010	\$ 2,781,320	\$ 1,741,611	\$ 1,905,948	\$ 1,658,132	\$ 1,989,427
Enterprise Operating SE Operating	160,986	15,170	-	176,156	15,587	-	191,743
Enterprise Operating System Rehab Fund	192,531	542	85,862	107,211	571	-	107,782
Enterprise Operating Equipment Fund	133,380	667	-	134,047	1,033	-	135,080
Enterprise Operating Operating Savings Fund	110,744	377	-	111,121	592	-	111,713
SRFWW Western Wayne RSD B&I	-	32,067	-	32,067	875,611	311,910	595,768
SRFWW Western Wayne Reserve 2021A	-	15,131	-	15,131	198,369	-	213,500
SRFWW Western Wayne 2021A	-	899,688	899,688	-	10,329,831	10,329,831	-
SRFWW Western Wayne Spec Rev B&I	-	-	-	-	203,586	-	203,586
SRFWW Western Wayne Local Construction 2021	-	1,000,014	-	1,000,014	11,071	-	1,011,085
SRFWW Western Wayne Reserve 2021B	-	3,000,040	-	3,000,040	33,214	-	3,033,254
Totals	<u>\$ 1,649,562</u>	<u>\$ 8,434,706</u>	<u>\$ 3,766,870</u>	<u>\$ 6,317,398</u>	<u>\$ 13,575,413</u>	<u>\$ 12,299,873</u>	<u>\$ 7,592,938</u>