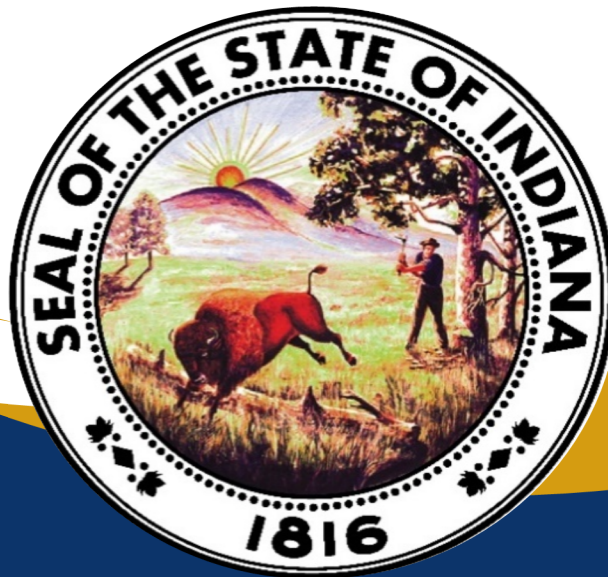


**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WELLS COUNTY REGIONAL SEWER DISTRICT  
WELLS COUNTY, INDIANA  
January 1, 2022 to December 31, 2023



**FILED**  
12/23/2024



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SCHEDULE OF OFFICIALS

| <u>Office</u>                   | <u>Official</u>                   | <u>Term</u>                                  |
|---------------------------------|-----------------------------------|--|
| Treasurer                       | Leon Berning                      | 01-01-22 to 12-31-24                         |
| President of the District Board | Michael Mossburg<br>Bruce Stinson | 01-01-22 to 12-31-22<br>01-01-23 to 12-31-24 |
| Superintendent of the District  | Lewis Brown                       | 01-01-22 to 12-31-24                         |



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE WELLS COUNTY REGIONAL  
SEWER DISTRICT, WELLS COUNTY, INDIANA

This report is supplemental to the audit report of the Wells County Regional Sewer District (District), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with the Financial Statement Audit Report of the District, which provides our opinions on the District's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 3, 2024



TREASURER  
WELLS COUNTY REGIONAL SEWER DISTRICT

TREASURER  
WELLS COUNTY REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place to ensure compliance with laws, regulations, and uniform compliance guidelines established by the Indiana State Board of Accounts. The District was not in compliance with laws, regulations, and uniform compliance guidelines as detailed further in the following comments:

- Annual Financial Report
- Contractual Receipts
- Certification of Internal Control Standards

Additionally, internal controls over the recording and reporting of the financial transactions of the District funds were deficient. As a result of the internal control deficiencies, material errors occurred and remained undetected.

*Financial Close and Reporting*

The District did not have a proper system of internal controls in place to ensure transactions in the records were accurately reported into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. Although the District had established internal controls over financial close and reporting, the internal controls did not prevent, or detect and correct, misstatements in the comment below titled *ANNUAL FINANCIAL REPORT*.

*Receipts*

We were unable to determine if there were internal controls in place at one of the District's service organizations to ensure utility collections made on behalf of the District were complete and accurate during the audit period. This service organization collected utility payments on behalf of the District until December 2023. Additionally, the District did not have internal controls in place to ensure utility collections received by service organizations were complete and accurate.

*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.

TREASURER  
WELLS COUNTY REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B59302, entitled *INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING*.

*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 financial reporting system. The AFR contained the following errors:

*Financial Data*

Construction fund receipts and disbursements were each understated in the amount of \$80,696 for 2022.

Audit adjustments were proposed, accepted by the District, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the District.

*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 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](#)."

**CONTRACTUAL RECEIPTS**

*Condition and Content*

The District entered into a contract with a service organization in which the service organization directly bills and collects fees from customers connected to the District sewer system. The District was unable to provide documentation supporting the monthly remittance from the service organization's collections, as no detail of collections was provided to the District.

*Criteria*

Payments made or received for contractual services must be supported by written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

TREASURER  
WELLS COUNTY REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

A similar comment also appeared in prior Report B59302, entitled *CERTIFICATION OF INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The District incorrectly certified on the Indiana Gateway for Government Units financial reporting system that training over internal control standards was provided to all applicable employees for 2022 and 2023. However, the Superintendent of the District, who had cash handling responsibilities during the audit period, was not trained on internal control standards until November 2024. This employee took the internal control training and provided a certification upon inquiry by the Indiana State Board of Accounts regarding the training.

*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 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](#)."

TREASURER  
WELLS COUNTY REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2024, with Bruce Stinson, President of the District Board; Leon Berning, Treasurer; and Trent Bucher, Controller.