

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SUMMIT SPRINGS REGIONAL WASTE DISTRICT

HENRY COUNTY, INDIANA

January 1, 2012 to December 31, 2014



FILED

03/15/2016

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-------------------------------|--|
| Treasurer | Amanda Rains Patricia Yapp | 01-01-12 to 07-31-14 08-01-14 to 12-31-15 |
| President of the Board | Dennis Crum Betty Gipe | 01-01-12 to 07-15-12 07-16-12 to 12-31-15 |
| Superintendent | Jerry Sherwood | 01-01-12 to 12-31-15 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SUMMIT SPRINGS REGIONAL
WASTE DISTRICT, HENRY COUNTY, INDIANA

This report is supplemental to our examination report of the Summit Springs Regional Waste District (District), for the period from January 1, 2012 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement Examination Report of the District, which provides our opinion on the District's financial statement. This report may be found at 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 30, 2015

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

The Registers of Daily Cash Receipts - Consumer were not presented for examination for the period of January 1, 2012 to October 31, 2013. The Consumer Payment Stubs were not presented for examination for the period January 1, 2012 to August 1, 2014. In addition, a Consumer's Ledger-Municipal Wastewater Utility, Form No. 324, was not presented for the period January 1, 2012 through October 31, 2013, for the account of Amanda Huff, Amanda Sorrell, or Amanda Rains, former Treasurer.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted by the District; however, they included only the checking account as a whole and did not detail individual fund balances, or include other accounts such as the savings account and certificates of deposit. An overall reconciliation of the fund balances to the simplified cash journal balances was not prepared during 2012, 2013, or 2014.

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 OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the District. A review of the Simplified Cash Journal revealed the following deficiencies:

1. Disbursements were not properly posted in the Simplified Cash Journal during 2012, 2013, and 2014; the payee was not listed in the designated columns, and the columns for classifying the disbursements by type were not completed.
2. Columns for receipt details, such as who the receipt was from and the receipt type classification, were not completed during 2012, 2013, and 2014.
3. Posting errors included bank fees not properly posted, transfers not properly posted, Payroll fund transactions not properly recorded, and the December 2014 Srf fund payment posted to the Operations fund instead of the Srf Fund.
4. The Improvement Fund was not accounted for in the Simplified Cash Journal.
5. Interest income was not always posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALARY ORDINANCE

A salary ordinance was not prepared and approved by the District Board for 2012, 2013, and 2014.

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 statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CREDIT CARDS

During a review of claims, we noted the following:

1. The District used a credit card to purchase items without an approved credit card policy.
2. Several credit card statements were paid without sufficient supporting documentation.
3. The District paid fees in the amount of \$140 during the period of examination because the District did not remit payments on a timely basis. Additionally, for the period of examination, total charges of \$47 in interest were paid due to these late payments.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 governmental 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 governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 10)

TIMELY RECORDKEEPING

Payments to customer accounts received during the period January 1, 2012 to July 31, 2014, were not timely posted. Many payments were posted two or three months after they were received and deposited in the District's checking account. Due to not posting timely, errors in postings occurred and accounts receivable balances were not always correct.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONSUMER ACCOUNTS RECEIVABLE BALANCES

On November 1, 2013, the District installed electronic software to account for accounts receivable billings, payments, and balances. The District had previously used prescribed manual forms. A review of account balances revealed that seven out of twenty-five balances tested at October 31, 2013, were calculated and recorded incorrectly in the manual Consumer's Ledger-Municipal Wastewater Utility, Form No. 324. The incorrect balances were then entered as beginning balances for November 1, 2013, into the electronic billing and accounts receivable software.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The software had tracking capability for accounts on which liens were filed. When a lien was filed and recorded in the software, the amount of the lien became a lien receivable balance in the software instead of an accounts receivable. Liens filed on June 18, 2014, were not properly accounted for in the software. For one account on which a lien was filed on June 18, 2014, in the amount of \$514, an additional lien was filed in the amount of \$355 on July 29, 2014. The collections for both the first lien and second lien were received by the District with the December 2014 settlement from the County Auditor. Two distributions were posted to the liens receivable balance in the amount of \$355. However, the amount received for the first lien actually was \$514 and should have been deducted from the accounts receivable balance since the lien receivable had not been posted correctly. This caused a negative lien receivable balance and, since the original lien had not been posted correctly and the amount received was incorrectly posted, the accounts receivable balance was also incorrect.

A review of two customer accounts, initiated by customer complaints regarding incorrect balances, revealed that a payment received December 1, 2013, in the amount of \$44 and a payment dated September 15, 2014, in the amount of \$44 were not posted to the consumers' accounts. These payments were deposited to the checking account of the District.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADJUSTMENTS TO CONSUMER ACCOUNT BALANCES

A review of consumer accounts revealed that adjustments were routinely made to consumer accounts throughout the examination period without sufficient documentation or explanation or approval of the District Board. Many of the adjustments were to remove penalties.

If any adjustments are necessary to be made either to the control or to the individual active accounts, proper explanation should be recorded in the records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 22)

Whether the records are maintained on a cash or accrual basis, the individual consumer's ledger will be credited for the amount written off as a bad debt. The amounts written off should be noted in the governing board's minutes. (This would also apply to bad debts of a water, electric, or gas utility.) (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 20)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF DELINQUENT ACCOUNTS - PENALTIES

The following instances of noncompliance were discovered during a review of delinquent accounts:

1. Billings were recorded on a manual Consumer's Ledger-Municipal Wastewater Utility, Form No. 324, for the period January 1, 2012 through October 31, 2013. During this period, ten of the twenty delinquent consumer accounts tested were not charged a 10 percent penalty.
2. On November 1, 2013, the District began using billing and accounts receivable software to account for billings and payments. Beginning February 1, 2014 through November 30, 2014, the District did not charge a 10 percent penalty to any of the twenty delinquent consumer accounts tested.

Indiana Code 36-9-23-31 states as follows:

"If fees assessed against real property under this chapter or any statute repealed by IC 19-2-5-30 (repealed September 1, 1981) are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. The amount of the fee, the penalty, and a reasonable attorney's fee may be recovered by the board in a civil action in the name of the municipality."

DELINQUENT WASTEWATER ACCOUNTS - FILING OF LIENS

The District did not consistently file liens on delinquent wastewater accounts during 2012, 2013, and 2014. A test of delinquent consumer accounts revealed four accounts which were delinquent for at least 23 months without a lien filed against the consumers' properties. During the same period of time, liens were filed on other consumer accounts every six months. No liens have been filed since August 19, 2014.

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

1. A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
2. An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes."

RELEASE OF LIENS

During a review of collection of liens, we noted liens collected and distributed to the District by the County Auditor at the December 2014 and June 2015, settlements had not been released. Paperwork to release liens had been filed with the County Auditor as of the date of this report.

Indiana Code 36-9-23-33(g) states: "The officer shall release any recorded lien when the delinquent fees, penalties, service charges, and recording fees have been fully paid. The county recorder shall charge a fee for releasing the lien in accordance with IC 36-2-7-10."

EMPLOYEE EARNINGS RECORDS

The District did not maintain Employees' Service Records or Employee's Earnings Records or any other record to document record of wages paid.

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

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

CAPITAL ASSETS

The District has not maintained a complete inventory of capital assets owned. A Capital Asset Ledger, General Form 369, could not be located by the current Treasurer.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

INCOMPLETE BOARD MINUTES

The Board minutes did not include documentation of the general substance of all matters proposed, discussed, or decided. Adoption and approval of the following items was not documented:

1. Salary ordinance. Occasionally, the Board minutes noted that raises had been discussed; however, no approved salaries were documented in the minutes and a salary ordinance was not approved by the Board.
2. Travel policy.
3. Cell phone use agreement. Employees with cell phones were paying a portion of the charges; however, documentation of the Board decisions and policies regarding cell phone use and charges were not included in the minutes.
4. Credit card policy.
5. Notation of approval, or explanation of disapproval, of Board actions by all Board members present. This includes approval, or explanation of disapproval, of the Accounts Payable Voucher Register presented for approval at the Board meetings.
6. Approval of utility bill adjustments was not documented in the board minutes.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6."

ANNUAL FINANCIAL REPORTS

The Annual Financial Report for 2012 was not filed until March 15, 2013, which was 14 days after the due date.

The Annual Financial Report for 2014 was not filed until July 16, 2015, which was 137 days after the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CERTIFIED REPORTS

The Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) was not filed timely for 2013 and 2014. The reports were filed on February 6, 2014, and March 20, 2015, which were six days and forty-eight days, respectively, past the due dates.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under IC 5-14-9.8-7."

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2015, with Patricia Yapp, Treasurer; Betty Gipe, President of the Board; Donald L. Swoveland, Board member; Caroline Utt, Board member; William D Utt, Board member; and David J. Greene, Board member.

The contents of this report were discussed on December 1, 2015, with Amanda Rains, former Treasurer.