

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTHWEST JASPER
REGIONAL WATER DISTRICT
JASPER COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/06/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donald Goetz	01-01-14 to 12-31-17
President of the Board	Andrew Andree	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHWEST JASPER REGIONAL
WATER DISTRICT, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Northwest Jasper Regional Water District (District), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the District. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the District, which provides our opinions on the District's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

January 18, 2017

NORTHWEST JASPER REGIONAL WATER DISTRICT
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

Condition

There were deficiencies in the internal control system of the District related to financial transactions and the Schedule of Expenditures of Federal Awards (SEFA). The following deficiencies constituted material weaknesses:

1. Bank reconciliations were completed on a consistent basis. However, District officials failed to properly document that the reconciliations had been reviewed by someone other than the preparer to ensure that identified reconciling items were appropriate, supported, and recorded timely. In addition, the individual completing the bank reconciliations did not have online access to the bank statements and did not receive copies of the statements in the mail. The statements were provided by the bank President who also is the Treasurer of the District and had sole access to the account.
2. The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. One individual independently prepared the SEFA for inclusion in the financial report without oversight, review, or approval.

The SEFA presented for audit underreported federal expenditures for the Water and Waste Disposal Systems for Rural Communities by \$1,766,500. Audit adjustments were proposed, accepted by the District, and made to the SEFA.

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

NORTHWEST JASPER REGIONAL WATER DISTRICT
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
..."

Cause

Management had not established a system of internal control that would have ensured proper review of the bank reconciliation and accurate reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement could have remained undetected. Without a proper system of internal control in place that operated effectively, material misstatement of the SEFA remained undetected. The SEFA contained a material error identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2001-002 - EQUIPMENT MANAGEMENT

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Number and Year (or Other Identifying Number): 15-037-096893808

Condition

An effective internal control system was not in place at the District in order to ensure compliance with requirements related to the grant agreement and the Equipment Management compliance requirement.

One individual at the District completed a Federal Capital Asset Listing for 2014; however, the inventory was not reviewed by another individual and was not complete. Capital Assets in the listing were understated by \$370,123 because amounts from various change orders that occurred in 2014 were omitted.

NORTHWEST JASPER REGIONAL WATER DISTRICT
FEDERAL FINDINGS
(Continued)

Context

The District had a lack of internal controls throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the District.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the District's management establish controls, including segregation of duties, related to the grant agreement and the Equipment Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Northwest Jasper Regional District
112 Carnation St SE
DeMotte, IN 46310

Board Members
Mark Boer
Kent Bierma
Jeff Cambe

Andy Andree
President

Board Members
Larry Donis
Don Goetz
John Price

CORRECTIVE ACTION PLAN

FINDING 2014-001 Internal Controls Over Financial Transactions and the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Heather Tokarz, Office Manager
Donald Goetz Treasurer
Contact Phone Number: 219-987-3831

We concur with the finding that of lack of internal controls. However, internal controls are in place in regards to the bank reconciliation. However, since it was not documented it is viewed as a lack of control.

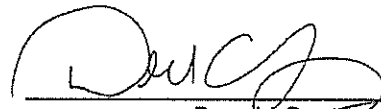
Description of Corrective Action Plan:

Bank Reconciliation: In 2017 the bank reconciliations will be forwarded to the Board Members and the reconciled amounts will be discussed at the monthly board meetings. Every month a fund reports is distributed with the correct reconciled amounts.

Schedule of Expenditures of Federal Awards (SEFA) – in 2016 there were no federal funds used. Therefore, this report is not required.

Anticipated Completion Date:

January 2017



Donald Goetz
Treasurer

1/17/2017

(Date)

Northwest Jasper Regional District
112 Carnation St SE
DeMotte, IN 46310

Board Members
Mark Boer
Kent Bierma
Jeff Cambe

Andy Andree
President

Board Members
Larry Donis
Doh Goetz
John Price

CORRECTIVE ACTION PLAN

FINDING 2001-002 – Equipment Management

Contact Person Responsible for Corrective Action: Heather Tokarz/Robert Barton
Donald Goetz Treasurer
Contact Phone Number: 219-987-3831

We concur with the findings. A accurate inventory list was not kept. However, there was a list that would show how many pieces of equipment were available.

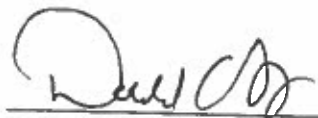
Description of Corrective Action Plan:

Robert Barton, Public Works Superintendent, will be keeping a detailed inventory that will list all parts as they are delivered. In January 2017 he will complete an inventory and compare it to the current list. If correct, he will then begin by having a detailed inventory list showing all deliveries and parts being distributed.

Capital Assets will be corrected on Gateway to reflect correct numbers. In the future, the log will be verified by the treasurer or administrative assistant.

Anticipated Completion Date:

January 2017



Donald Goetz
Treasurer

12-21-16

(Date)

NORTHWEST JASPER REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2017, with Andrew Andree, President of the Board; Donald Goetz, Treasurer; and Heather Tokarz, Office Manager.