

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

ALLEN COUNTY REGIONAL  
WATER AND SEWER DISTRICT  
ALLEN COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
05/19/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Kenneth Neumeister (deceased) Erika Beachem (acting)	01-01-15 to 04-15-17 04-16-17 to 12-31-17
Treasurer	Win Rood	01-01-13 to 12-31-18
President of the Board	Ric Zehr	01-01-15 to 12-31-17
Office Manager	Laura Spuller Deborah Fee (Vacant) Erika Beachem	01-01-15 to 04-01-16 04-02-16 to 01-30-17 01-31-17 to 03-14-17 03-15-17 to 04-16-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ALLEN COUNTY REGIONAL WATER  
AND SEWER DISTRICT, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Allen County Regional Water and Sewer District (District), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments 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/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment 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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

February 28, 2017

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
FEDERAL FINDING

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were several deficiencies in the internal control system of the District related to financial transactions and reporting. The following deficiencies constituted material weaknesses:

1. Preparing Financial Statements and Maintenance of General Ledger: The District's management had not identified risks to the preparation of a reliable financial statement and Annual Financial Report, and as a result had failed to design effective controls over the preparation of financial information to prevent, or detect and correct, material misstatements.
2. Monitoring of Controls: Effective internal control over financial reporting required the District's management or their designee to monitor and assess the quality of the District's system of internal control. The District's management or their designee had not performed either an ongoing or separate evaluation of their system of internal controls.

The District's financial statement and Annual Financial Report contained the following error:

Allen County Regional Water & Sewer District Construction fund receipts and disbursements, totaling \$1,933,396 each, were omitted.

Audit adjustments were proposed, accepted by the District, and made to the District's financial statement and Annual Financial Report.

*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:

"Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
FEDERAL FINDING  
(Continued)

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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."

*Cause*

Management of the District had not established a proper system of internal control that would have ensured proper reporting of the financial statement and Annual Financial Report.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement and Annual Financial Report remained undetected. The financial statement and Annual Financial Report contained the error identified in the *Condition*.

The failure to exercise their oversight responsibility placed the District at risk that controls may not have been designed or operated effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

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



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## CORRECTIVE ACTION PLAN

**FINDING 2015-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Win F. Rood, Treasurer  
Contact Phone Number: (260) 438-3475

Views of Responsible Official: We concur with the finding of the auditor.

Description of Corrective Action Plan: The Allen County Regional Water and Sewer District will implement changes to the internal records and reporting management currently followed by staff and committee members to include the following activities.

1. Checks and Balances. Monthly finance reports are to be incorporated into monthly administrative duties of the ACRWSD Office Manager. Further, these reports are to be signed off by a member of the appointed Finance Committee prior to presentation to the Board of Trustees at monthly meeting. Reports will be required to include a report from the general ledger and a Gateway report for comparison.
2. Formerly Defined Process. The ACRWSD will consult with the external accounting firm (UMBAUGH) to define internal and external accounting and reporting processes to ensure all accounts are included in both the Gateway inputs and General Ledger.
3. Reconciliation and Documentation of all SRF accounts at Bank of New York to include in defined process

Anticipated Completion Date: April 28, 2017

Win F Rood  
(Signature)

Treasurer  
(Title)

3-7-17  
(Date)

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
AUDIT RESULT AND COMMENT

**GOVERNING BOARD APPROVALS**

Detailed lists of monthly Accounts Payable Vouchers approved by the governing board were not presented for audit. Approvals were noted during the review of the monthly Board of Trustees' Minutes.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2017, with Kenneth Neumeister, Executive Director; Win Rood, Treasurer; Justin Brugger, Board member; M.J. Klinker, Board member; and Lana Beregszazi, Business Consultant.