

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT

DELAWARE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
07/18/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Max Abrell	01-01-12 to 12-31-17
Treasurer	Tom McCarthy Ray Parsons	01-01-12 to 12-31-12 01-01-13 to 12-31-17
President of the Board	Tom Douthitt Tom McCarthy Ray Maynard	01-01-12 to 12-31-12 01-01-13 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE DELAWARE COUNTY REGIONAL
WASTEWATER DISTRICT, DELAWARE COUNTY, INDIANA

This report is supplemental to our examination report of the Delaware County Regional Wastewater District (District), for the period from January 1, 2012 to December 31, 2015. 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 Statements Examination Report of the District, which provides our opinion on the District's financial statements. 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

April 20, 2017

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Annual Financial Reports (AFR) for 2013, 2014, and 2015 contained a number of errors and did not match the records of the District. The District contracted with a private CPA firm (Firm) to prepare the AFR. As part of the preparation, the Firm reviewed the ledger and made any necessary adjustments. These adjustments were reflected on the AFR but were posted to the ledger in the subsequent year creating timing differences. These timing differences cause the AFR to vary from the actual activity in the ledger. In addition, there are unidentified variances in receipts and disbursements between the ledger and the AFR \$859, \$56, and \$6,128, respectively. As these variances are the same amount in both the receipts and disbursements, the fiscal year end cash balances were not affected.

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."

PAYROLL

The District's payroll records presented for examination included the following deficiencies:

1. Time worked, as calculated by employees and reported on timesheets, was not verified by the Payroll Clerk. This resulted in one employee being overpaid \$170 for six hours in 2015.
2. Prior to the latter part of 2014, Employee Service Records were not maintained. Therefore, it could not be determined if vacation time was properly earned and used. The District should review payroll records and determine that leave time used did not exceed leave time earned during the period 2012-2014.
3. A review of Employee Service Records in 2015 revealed that one employee had taken vacation days that were not posted to the Employee Service Record. This employee then took additional vacation days later in the year resulting in excess vacation time taken versus the amount of vacation time earned. This resulted in an overpayment of \$488 for 28 hours.

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)

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. . . ."

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 1)

COMPENSATION AND BENEFITS

Evidence of approval of compensation and benefits to be paid to hourly District employees in 2014 and 2015 was not presented for examination.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by law. 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 1)

DELAWARE COUNTY REGIONAL WASTEWATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2017, with Ray Maynard, President of the Board; Max Abrell, Director; and Penny Ring, Office Manager.