

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
STEUBEN LAKES REGIONAL WASTE DISTRICT
STEUBEN COUNTY, INDIANA
January 1, 2012 to December 31, 2016



FILED
12/22/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls over Financial Reporting and Transactions	4
Bank Account Reconcilements.....	4
Prescribed Forms	4
Official Response	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Timothy Frederick	01-01-12 to 12-31-17
Secretary/Treasurer	James Kidd	01-01-11 to 12-31-18
President of the Board of Trustees	Bill Heckley	01-01-12 to 12-31-14
	Jim VanVlerah	01-01-15 to 12-31-15
	George Pifer	01-01-16 to 12-31-16
	Rob Moreland	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE STEUBEN LAKES REGIONAL
WASTE DISTRICT, STEUBEN COUNTY, INDIANA

This report is supplemental to our audit report of the Steuben Lakes Regional Waste District (District), for the period from January 1, 2012 to December 31, 2016. 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 our Financial Statements 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 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.

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

December 18, 2017

STEUBEN LAKES REGIONAL WASTE DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND TRANSACTIONS

The District had not established a proper system of internal controls over financial reporting and transactions to prevent, or detect and correct, errors. Errors were found in the general ledger, capital assets and depreciation ledger, and financial statements for the years 2014, 2015, and 2016. Also, bank reconciliations were not prepared for the Capital Improvement Fund and Bond and Interest Fund for all audit years. There was no evidence of a control procedure in place to ensure the accuracy of the District's financial reporting and transactions, which was prepared and maintained mostly by one employee.

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. . . ."

BANK ACCOUNT RECONCILEMENTS

The District prepared appropriate reconciliations for the Operating Fund; however, they did not for the Capital Improvement Fund and the Bond and Interest Fund for all audit years.

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.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PRESCRIBED FORMS

The District generated receipts using its fund accounting system. But instead of using the generated numeric receipt from the fund accounting system, the District instead used the alphanumeric numbering system from its computerized billing system. The alphanumeric numbering system was not in any specific order, as it was created by the individuals entering the receipts and thus was not uniform or in chronological order.

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)



STEBEN LAKES REGIONAL WASTE DISTRICT
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OFFICIAL RESPONSE

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Indianapolis, Indiana 46204-2765

Attn: Paul Joyce

The following are The Results and Comments which were given to the staff here at Steuben Lakes Regional Waste District for the Audit for FY 2012, 2013, 2014, 2015, and 2016. The responses to each Comment are found below each comment.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND TRANSACTIONS

Response:

The District has had an Internal Controls Policy in place since June of 2016. The District will make revisions to its Internal Controls Policy and procedures to better ensure that financial reports are properly reviewed by District management, and that the reviews are properly documented.

BANK ACCOUNT RECONCILEMENTS

Response:

The District has modified its practices to ensure that all bank statements are promptly reconciled in the future.

PRESCRIBED FORMS

Response:

The District will modify its receipt generation practices to utilize the numeric receipts generated by the District's accounting software.

Sincerely,

Bryan Klein
Superintendent
Steuben Lakes Regional Waste District

STEUBEN LAKES REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2017, with Timothy Frederick, current Superintendent; Bryan Klein, incoming Superintendent; Rob Moreland, President of the Board of Trustees; James Kidd, Secretary/Treasurer; Tina Ryan, Billing Clerk; Chrystal Brown, incoming Office Manager; and Jessica Bird, Payroll Clerk.