

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

RURAL HUNTINGTON REGIONAL
WATER AND SEWER DISTRICT
HUNTINGTON COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
01/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Wall Jason Smith James Scheiber	01-01-12 to 09-30-15 10-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the District Board	Bruce Stanton	01-01-12 to 12-31-17



STATE OF INDIANA
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TO: THE OFFICIALS OF THE RURAL HUNTINGTON REGIONAL WATER
AND SEWER DISTRICT, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our examination report of the Rural Huntington Regional Water and Sewer 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 Examination Results and Comments that pertain to 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

December 20, 2017

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

The following deficiencies related to the District Board minutes were identified:

1. The minutes for two District Board meetings were missing during the examination period.
2. The ordinance that increased sewer rates in 2014 was not presented for examination.
3. The District Board failed to organize at the beginning of each year and record who was elected each year as President, Vice President, Treasurer, and Secretary of the District Board in four of the five years being examined and failed to organize in the subsequent year as well.
4. The District Board minutes were not signed to show that they were reviewed and approved.

Indiana Code 5-14-1.5-4 states in part:

". . . (b) 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 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-14-1.5-5(a) states in part: "Public notice of the date, time, and place of any meetings, executive sessions, or of any rescheduled or reconvened meeting, shall be given at least forty-eight (48) hours (excluding Saturdays, Sundays, and legal holidays) before the meeting. . . ."

DISTRICT BOARD

The District Board was statutorily required to have either 3, 5, 7, 9, 11, or 13 members. At various times during the examination period, the District Board had 4 or 6 members.

Additionally, the members of the District Board were statutorily entitled to compensation of \$50 per day or major portion of a day they devoted to work related to the District's business. The District Board did not maintain a record of days worked that agreed with payments they received. Additionally, no one approved the time charged. The District should maintain a record of days devoted to District business to support the compensation paid.

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 13-26-4-1 states:

"The board of trustees of a district is the governing body of the district. A board may consist of:

- (1) three (3);
- (2) five (5);
- (3) seven (7);
- (4) nine (9);
- (5) eleven (11); or
- (6) thirteen (13);

trustees."

Indiana Code 13-26-4-7 states in part:

"(a) . . . the board of a district may provide for the payment of not more than fifty dollars (\$50) per day to members of the board for each day or major part of a day devoted to the work of the district. . . ."

(c) Members of the board are entitled to receive an amount for travel expenses equal to the amount paid to state employees for expenses incurred in the performance of their duties. . . ."

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 forms:

General Form 99A, Employee's 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 1)

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B41031, entitled *BANK ACCOUNT RECONCILIATIONS*.

The District did not always complete monthly bank reconcilements. The District had three bank accounts; therefore, during the five-year examination period, there should have been 180 bank statements to reconcile to. However, 60 bank reconcilements were missing and 8 bank statements were not provided for examination.

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."

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

During a test of deposits, it was noted that three out of ten deposits were not made by the next business day. Additionally, one receipt was not properly posted to the ledger.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B41031, entitled *INTERNAL CONTROLS*.

The District designed internal control procedures regarding the Annual Financial Report (AFR), whereby the District Board was to approve the AFR prepared by the Treasurer. During a review of these controls, there was no evidence, such as a corresponding signature the AFR had been reviewed, to support the control was being followed.

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. . . ."

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROVAL OF CLAIMS

The minutes of the District Board meetings did not note, in 11 of 47 meetings, approval of claims for payment. In the minutes of meetings where approval of claims was noted, all of the signed claims dockets were not retained documenting the District Board's approval. In testing ten paid claims, five were identified that did not contain District Board approval.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2017, with Bruce Stanton, President of the District Board; James Scheiber, Treasurer; and Christi Hefflefinger, Kline CPA.