

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TAYLOR REGIONAL SEWER DISTRICT

HOWARD COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**  
03/08/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia Swavey	01-01-12 to 12-31-18
President of the District Board	Russell Adair, Jr Johanna Thompson	01-01-12 to 12-31-13 01-01-14 to 12-31-18



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TO: THE OFFICIALS OF THE TAYLOR REGIONAL SEWER DISTRICT, HOWARD COUNTY, INDIANA

This report is supplemental to our examination report of the Taylor Regional 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. 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/](http://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

January 22, 2018

TAYLOR REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

**BOARD MEETINGS**

The most current minutes related to the District Board meetings were from July 14, 2015. Board meetings were not held during the remainder of 2015, nor did the District Board meet during the years 2016 and 2017. The Treasurer would, by telephone, discuss District activity with the President of the District Board. Since the District Board did not meet regularly, there was no evidence that the District Board approved claims paid by the Treasurer.

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 take, 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 5-11-10-1.6 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: . . .

- (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. . . ."

**EMPLOYEES PAID AS INDEPENDENT CONTRACTORS**

The District treated all employees as independent contractors. No contracts were presented for examination to support payments to these individuals. All wages were reported on Internal Revenue Service (IRS) Miscellaneous Income, Form 1099-MISC. Payments to individuals that qualify as employees should be processed through a payroll system with the appropriate payroll taxes withheld and reported on IRS Wage and Tax Statement, Form W-2.

TAYLOR REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**ANNUAL FINANCIAL REPORTS**

The Annual Financial Reports (AFR) for 2014 and 2016 were not timely filed. The 2014 and 2016 AFR reports were filed on April 1, 2015, and December 11, 2017, respectively, which were 30 days and 250 days, respectively, after the due date.

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."

**ADVANCE PAYMENTS**

This same comment appeared in prior Reports B37743 and B41155.

The District pre-paid money into an escrow account at the County Recorder's office. When the District filed liens or released liens, the charges for those transactions were taken from the District's prepaid account. When the escrow balance became low, the District remitted additional money to the County.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 1)

**INTERNAL CONTROL DEFICIENCIES**

The Treasurer was responsible for all aspects of the District's financial activity. This included preparing checks and recording all financial transactions in the financial ledger. Due to the lack of any oversight or review by others, errors and omissions could occur and not be detected in a timely manner.

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:

TAYLOR REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"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. . . ."

TAYLOR REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2018, with Patricia Swavey, Treasurer.