

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
JENNINGS COUNTY, INDIANA
January 1, 2010 to December 31, 2016



FILED
06/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James B. Shinolt	01-01-10 to 02-09-10
	Kimberly D. LaFollette	02-10-10 to 12-31-10
	(Vacant)	01-01-11 to 09-16-12
	Charlanne McHaley	09-17-12 to 12-31-18
President of the District Board	Mike Hines	01-01-10 to 12-31-10
	(Vacant)	01-01-11 to 09-16-12
	Chad Pittman	09-17-12 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CAMPBELL TOWNSHIP REGIONAL
SEWER DISTRICT, JENNINGS COUNTY, INDIANA

This report is supplemental to our examination report of the Campbell Township Regional Sewer District (District), for the period from January 1, 2010 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/.

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

May 9, 2018

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balance to the bank account balances were not conducted for 13 months of the examination period. We noted the following posting errors in 2016 that were not detected or corrected by the District:

1. Receipts totaling \$2,989 were posted to the records twice.
2. Disbursements totaling \$9,036 were posted to the records twice.
3. As of December 31, 2016, an unidentified variance between the adjusted bank balance and the District's ledger indicated a cash long of \$163.05.

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."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B38207, entitled *ANNUAL REPORT NOT FILED*.

The Annual Financial Reports for the years 2010, 2011, 2012, 2013, 2014, 2015, and 2016 contained a number of errors and did not properly reflect the financial activity of the District. The District's Bond and Interest and Debt Reserve funds were not reported in the Annual Financial Reports.

The Annual Financial Reports for the years 2012, 2014, 2015, and 2016 were filed late by 32 days, 376 days, 10 days, and 376 days, respectively.

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."

ERRORS ON CLAIMS

A similar comment also appeared in prior Report B38207, entitled *DISBURSEMENT PROCEDURES*.

A review of claims identified the following deficiencies:

Three claims selected for testing did not contain adequate supporting documentation.

The fiscal officer was signing the claims; however, she did not sign the section of the claim certifying that the invoice or bill was true and correct.

Claims or invoices did not have evidence to support receipt of goods or services.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

In three instances, the prescribed accounts payable voucher form was not in use, so there was no documentation presented of the certification of the fiscal officer or the approval of the District Board.

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. . . ."

INTERNAL CONTROL STANDARDS

The District had not adopted the minimum level of internal control standards as defined by the Indiana State Board of Accounts. The District's personnel did not receive the required training over internal control standards.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

DEPOSITS

Receipts were not deposited timely. Deposits could not always be determined if made intact due to receipts not always indicating if cash or check was received.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

"Except as provided in subsections (d) and (g), 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 . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

INTERNAL CONTROLS

There were deficiencies in the internal control system of the District related to financial transactions and reporting.

Lack of Segregation of Duties: The District had not separated incompatible activities related to cash, receipts, disbursements, and financial close and reporting. One individual was primarily responsible for collecting, recording and depositing all receipts, writing and posting checks, completing the bank reconciliation, and preparing and submitting the Annual Financial Report (AFR) financial information in the Indiana Gateway for Government Units. There was no control in place, such as an oversight, review, or approval process.

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. . . ."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

The minutes of the meetings of the District Board as presented did not contain the proper official signatures. Minutes from January 1, 2010 to September 17, 2012, were not presented for examination.

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."

DELINQUENT WASTEWATER ACCOUNTS

No evidence was presented for examination that delinquent Wastewater fees and penalties in 2014, 2015, and 2016 had been recorded with the County Recorder or certified to the County Auditor, which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2018, with Charlanne McHaley, Treasurer; Chad Pittman, President of the District Board; and Carrie McHaley, Bookkeeper.