



**STATE OF INDIANA**  
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January 10, 2019

Board of Trustees  
K and H Regional Sewer District  
PO Box 111  
Knightsville, IN 47857

This report is supplemental to the audit report of the K and H Regional Sewer District (District), for the period from January 1, 2015 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an 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 engaged private examiners under our review to perform the audit of the District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for K and H Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2017. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the finding in the report. Page 3 contains one Examination Finding and Result. Management's response may be found on pages 5 through 6.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**COMPLIANCE EXAMINATION OF  
K AND H REGIONAL SEWER DISTRICT  
Clay County, Indiana  
January 1, 2015 to December 31, 2017**

K AND H REGIONAL SEWER DISTRICT  
Clay County, Indiana  
January 1, 2015 to December 31, 2017

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K AND H REGIONAL SEWER DISTRICT  
SCHEDULE OF OFFICIALS  
January 1, 2015 to December 31, 2017

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<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Scott Sneddon	01-01-15 to 12-31-17
Treasurer	Gary Sneddon	01-01-15 to 12-31-17
Secretary	Fred Garrison	01-01-15 to 12-31-17
Office Manager	Linda Minnick	01-01-15 to 12-31-17



Crowe LLP  
Independent Member Crowe Global

## Independent Accountant's Report

To the Indiana State Board of Accounts and  
Management of K & H Regional Sewer District

We have examined K & H Regional Sewer District's ("Unit") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2015, to December 31, 2017. Management of the Unit is responsible for the Unit's compliance with the specified requirements. Our responsibility is to express an opinion on the Unit's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Unit complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Unit complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the Unit's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the Unit during the period January 1, 2015 to December 31, 2017, as described in item 2018-001 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Unit complied, in all material respects, with the aforementioned requirements during the period January 1, 2015 to December 31, 2017.

The Unit's response to the finding identified in our examination are attached to this report. The Unit's response was not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on it.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
November 9, 2018

K AND H REGIONAL SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2015 to December 31, 2017

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**FINDING 2018-001: MINIMUM LEVEL OF INTERNAL CONTROLS**

**Criteria:** 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. . . ."

**Condition:** During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

K AND H REGIONAL SEWER DISTRICT  
EXIT CONFERENCE  
January 1, 2015 to December 31, 2017

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The contents of this report were discussed on November 9, 2018, with Office Managers, Linda Minnick and Shelby Gossage. The officials acknowledged the findings. The Official Response has been made a part of this report and may be found immediately following the findings on the previous page.

# K & H Regional Sewer District

P O Box 114  
Knightsville, IN 47857

Crowe LLP  
Attn: Katherine Rushing & Chris DuKate

To whom it may concern:

In response to the finding noted at the Exit we have added the attached required page to the policy and hope this is sufficient.

I would appreciate your sending the first response along to the SBOA also.

Thank you,

Linda Minnick  
K & H Regional Sewer District

## Internal Controls Policy

### Control Environment

- The Board will approve all financial documents for the month, make sure they all balance and sign off on the appropriate document when it is deemed to be up to code.
- The Board shall look over vouchers for bills that are due to be paid out that month, make sure the voucher amount and bill amount match. If the documents are prepared correctly and there is no question they should be signed by the according members.

### Risk Assessment

- Any member of the Board or Employee of K & H Regional Sewer District handling any type of money relevant to the company shall be bonded.
- Employee's handling daily finances should make sure all final amounts of income for the day match receipts and everything balances.

### Control Activities

- Each month the board will look over each document such as vouchers, Financial Report and bank statements, make sure all figures are accurate. When the items are approved and the board agrees they are satisfactory, they will be signed off on and stored appropriately.

### Information and Communication

- Any problem that has been brought to K & H Regional Sewer District attention shall be reported to the Board Members for them to review. For a conclusion to be made, everyone should understand the conflict and resolution before agreeing on the final decision made.

### Monitoring Activities

- K & H Regional Sewer District Board members shall look over documents for the month such as Financial Report, bank statements and vouchers to make sure all documents balance and are in order.
- If any member is questioning a document it should be investigated to the full extent. Once a decision has been made that the document or documents in question are up to par, each document shall be signed off on and stored accordingly.