



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B51761

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 10, 2019

Board of Trustees
Delaware Regional Wastewater District
100 West Main, Room 301
Muncie, IN 47305

This report is supplemental to the audit report of the Delaware Regional Wastewater District (District), for the period from January 1, 2016 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/.

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 Delaware Regional Wastewater District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2016 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 findings in the report. Page 3 contains three Examination Findings and Results. Management's response may be found on page 5.

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

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

**COMPLIANCE EXAMINATION OF
DELAWARE REGIONAL WASTEWATER DISTRICT**
Delaware County, Indiana
January 1, 2016 to December 31, 2017

DELAWARE REGIONAL WASTEWATER DISTRICT
Delaware County, Indiana
January 1, 2016 to December 31, 2017

CONTENTS

SCHEDULE OF OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT	2
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:	
2018-001: BANK ACCOUNT RECONCILIATION REVIEW	3
2018-002: MATERIALITY THRESHOLD	3
2018-003: MINIMUM LEVEL OF INTERNAL CONTROLS	3
EXIT CONFERENCE	4

DELAWARE REGIONAL WASTEWATER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2016 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Max Abrell	01-01-16 to 12-31-17
Treasurer	Ray Parsons	01-01-16 to 12-31-17
President of the Board	Ray Maynard	01-01-16 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Delaware Regional Wastewater District

We have examined Delaware Regional Wastewater 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, 2016, 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, 2016 to December 31, 2017, as described in items 2018-001, 2018-002, and 2018-003 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, 2016 to December 31, 2017.

The Unit's responses to the findings identified in our examination are described in the accompanying Schedule of Examination Findings and Results. The Unit's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on them.


Crowe LLP

Indianapolis, Indiana
November 9, 2018

DELAWARE REGIONAL WASTEWATER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2016 to December 31, 2017

FINDING 2018-001: BANK ACCOUNT RECONCILIATION REVIEW

Criteria: 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."

Condition: During testing, we noted the Unit did prepare bank reconciliations on at least a monthly basis. However, we noted no formal review process over these reconciliations.

FINDING 2018-002: MATERIALITY THRESHOLD

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

Condition: During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

FINDING 2018-003: 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.

DELAWARE REGIONAL WASTEWATER DISTRICT
EXIT CONFERENCE
January 1, 2016 to December 31, 2017

The contents of this report were discussed on November 9, 2018, with Penny Ring, Office Manager, Jason Richards, Director, and Ray Maynard, President of the Board. 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.

William V. Hughes

Mark A. Ervin

Sara E. Shade

Benjamin J. Freeman

Danyel N. Struble

Stephanie L. Hoover

—
Of Counsel

Charles V. Retherford

—
Retired

Jack E. Buckles

J. Philip Updike

—
John B. Beasley
(1917-2003)

Frank E. Gilkison
(1926-2015)

November 7, 2018

Crowe LLP
3815 River Crossing Pkwy, Suite 300
Indianapolis, IN 46240

To Whom It May Concern:

By way of introduction, I represent the Delaware County Regional Wastewater District, (hereinafter "District"). I have examined the Delaware County Regional Wastewater District Schedule of Examination Findings and Results and would like to formally address a couple of the items on behalf of the District.

Finding 2018-003: Materiality Threshold:

It was recently brought to my attention that the prior administration did not have a Materiality Policy in place. As a result, I drafted Ordinance 2018-7 which will be our new Materiality Policy. The Ordinance was introduced on October 15, 2018 and will be passed at our next regular meeting on November 7, 2018.

Bad Debt Policy Deficiency:

If our District is made aware of bad debt, by any means such as bankruptcy, death of a customer, failure to get reimbursed through a lien or a small claims case that has been deemed uncollectible, that account information is presented to myself as the Attorney for the District. At the next regular meeting, I present the information to the Board and the Board votes on whether or not to write off the bad debt. There is always a paper trail by way of dockets, account statements etc. This is not specifically stated in our Ordinance but can be added if needed.

Very truly yours,
BEASLEY & GILKISON, LLP


Danyel Struble