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January 10, 2019

Board of Trustees
Adams Lake Regional Sewage District
P.O. BOX 430
Roanoke, IN 46783

This report is supplemental to the audit report of the Adams Lake Regional Sewage District (District), for the period from January 1, 2014 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 Adams Lake Regional Sewage District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2014 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. Pages 3 through 4 contain five Examination Findings and Results.

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
ADAMS LAKE REGIONAL SEWAGE DISTRICT**

LaGrange County, Indiana
January 1, 2014 to December 31, 2017

ADAMS LAKE REGIONAL SEWAGE DISTRICT

LaGrange County, Indiana
January 1, 2014 to December 31, 2017

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ADAMS LAKE REGIONAL SEWAGE DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2014 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Linda L. Kiester	01-01-14 to 12-31-17
President of the Board	Phil Jacobs	01-01-14 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Adams Lake Regional Sewage District

We have examined Adams Lake Regional Sewage 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, 2014, 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, 2014 to December 31, 2017, as described in items 2018-001 through 2018-006 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, 2014 to December 31, 2017.


Crowe LLP

Indianapolis, Indiana
December 3, 2018

ADAMS LAKE REGIONAL SEWAGE DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2014 to December 31, 2017

FINDING 2018-001: 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 2018-002: OFFICIAL BOND

Criteria: Indiana Code 13-26-2-10 states in part, "the commissioner shall issue an order directing that the district be established...(b) An order must do the following:...(2) provide requirements for sufficient bonds for all officers, trustees, or employees having power to dispense money of the district."

Condition: During testing, we noted the Unit did not meet the requirements of IC 13-26-2-10 with respect to surety bond requirements.

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.

FINDING 2018-004: 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 review of bank reconciliations, Crowe noted that the Board does not formally review the bank reconciliations and instead discusses them at the meeting following the preparation of the reconciliation.

ADAMS LAKE REGIONAL SEWAGE DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2014 to December 31, 2017

FINDING 2018-005: SEGREGATION OF DUTIES

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: "*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, Crowe noted there is no segregation of duties within the receipts and disbursements processes. Crowe identified that the Treasurer is responsible for processing, depositing receipts, and signing checks. AP Vouchers are presented to the Board for approval.

ADAMS LAKE REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE
January 1, 2014 to December 31, 2017

The contents of this report were discussed on December 3, 2018, with Linda Kiester, Financial Clerk. The official acknowledged the findings.