



STATE OF INDIANA
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January 11, 2019

Board of Trustees
Liberty Regional Wastewater District
401 S Albany Street
Selma, IN 47383

This report is supplemental to the audit report of the Liberty Regional Wastewater District (District), for the period from January 1, 2017 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 Liberty Regional Wastewater District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 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
LIBERTY REGIONAL WASTEWATER DISTRICT**

Delaware County, Indiana
January 1, 2017 to December 31, 2017

LIBERTY REGIONAL WASTEWATER DISTRICT

Delaware County, Indiana
January 1, 2017 to December 31, 2017

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

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-----------------|----------------------|
| Office Manager | Kathy May | 01-01-17 to 12-31-17 |
| Superintendent | Jerry Zearbaugh | 01-01-17 to 12-31-17 |
| Treasurer | Peggy Selvey | 01-01-17 to 12-31-17 |
| President of the Board | Ronald Barrett | 01-01-17 to 12-31-17 |

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Liberty 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, 2017, 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, 2017 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, 2017 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
December 3, 2018

LIBERTY REGIONAL WASTEWATER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 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 prepares monthly bank account reconciliations. However, these are not reviewed or approved by the Board.

FINDING 2018-002: 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 not adopted required internal control standards and has no formal documentation of the implementation of a minimum level of internal controls standards.

FINDING 2018-003: 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.

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

The contents of this report were discussed on December 3, 2018, with Peggy Selvey, Treasurer, Steve Knote, President of the Board, Jerry Zearbaugh, Superintendent, and Kathy May, Office Manager. 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.

LIBERTY REGIONAL WASTE DISTRICT

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Selma, Indiana 47383
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December 4, 2018

Crowe, LLC
Auditors for 2017

As we were advised during our Exit conference call, we are submitting answers to the findings of this audit.

COMPLIANCE EXAMINATION

Most of the items mentioned on this report were corrected after our exit meeting with the SBOA for the audit of years 2012-2016, which was not held until January 24, 2018.

Finding 2018-001 - Bank Account Reconciliation Review: After the exit meeting in 2018, all bank reconciliations are reviewed by a Board Member and initialed by that board member, the bookkeeper, and dated with the date they are reviewed. These recons are then uploaded monthly to the Gateway site along with the month-end reports and meeting minutes.

Finding 2018-002 – Minimum Level of Internal Controls: This Resolution was passed by the board on October 19, 2017, and a copy was supplied to the auditors and document was also included in the minutes of the October 19, 2017, board meeting. Control procedures for the billing office for handling of the customer payments, posting, and bank deposits were uploaded to Crowe system and also supplied to them at the arrival to obtain items we were not able to upload to their system. Controls for the bookkeeping procedures were also given to the representative when he arrived to get the documents that we were unable to upload.

Finding 2018-003 – Materiality Threshold: Our attorney did advise us that if we did not set a threshold, the default would be 0. However, the board did adopt a threshold of \$50.00 at their board meeting on September 20, 2018.

Thank you for the opportunity to answer these compliance deficiencies, we believe we have corrected all the items mentioned.

Sincerely,



Stephen Knot
Board President



Peggy J Selvey
Bookkeeper