



STATE OF INDIANA
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January 22, 2019

Board of Trustees
Gnaw Bone Regional Sewer District
PO Box 927
Nashville, IN 47448

This report is supplemental to the audit report of the Gnaw Bone Regional Sewer District (District), for the period from January 1, 2013 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 Gnaw Bone Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2013 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 four 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
GNAW BONE REGIONAL SEWER DISTRICT**

Brown County, Indiana
January 1, 2013 to December 31, 2017

GNAW BONE REGIONAL SEWER DISTRICT

Brown County, Indiana
January 1, 2013 to December 31, 2017

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GNAW BONE REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2013 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Charles E. White	01-01-13 to 12-31-17
President of the Board	Ronald C. Smith	01-01-13 to 12-31-13
	David Hess	01-01-14 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Gnow Bone Regional Sewer District

We have examined Gnow Bone 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, 2013 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, 2013 to December 31, 2017, as described in items 2018-001 through 2018-004 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, 2013 to December 31, 2017.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
December 12, 2018

GNAW BONE REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 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 bank account reconciliations on a monthly basis; however, the reconciliations are not subject to a documented review by the Board.

FINDING 2018-002: REVIEW OF CHECKS

Criteria: 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. . . ."

Condition: During testing of disbursements, we noted that dual signatures are required on checks. The Secretary signs the checks when they are still blank and have not yet been cut for any specific purpose. The Treasurer signs as the second signature when he is filling out the check. However, the Secretary does not review the purpose and amount of the disbursement when he signs checks.

FINDING 2018-003: APPROVAL OF DISBURSEMENTS

Criteria: 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. . . ."

Condition: During testing of disbursements, we noted that the Board approves Accounts Payable Vouchers after the disbursement has already been made. The outsourced accountant receives the invoices paid in the previous month at each monthly meeting. The outsourced accountant then creates Accounts Payable Vouchers and the Board signs off as approved.

GNAW BONE REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2017

FINDING 2018-004: 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 the Unit did not meet the minimum level of internal controls. Specifically, the Unit did not have formal documentation surrounding the implementation of the minimum standard of internal controls.

GNAW BONE REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2013 to December 31, 2017

The contents of this report were discussed on December 12, 2018, with Frank Muzzillo, External Accountant, and Charles White, Treasurer. The officials acknowledged the findings.