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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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January 24, 2019

Board of Trustees
Metamora Regional Sewer District
P.O. Box 147
Brookville, IN 47030

This report is supplemental to the audit report of the Metamora 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/.](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 Metamora 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.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

COMPLIANCE EXAMINATION OF
METAMORA REGIONAL SEWER DISTRICT

Franklin County, Indiana
January 1, 2015 to December 31, 2017

METAMORA REGIONAL SEWER DISTRICT

Franklin County, Indiana
January 1, 2015 to December 31, 2017

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METAMORA REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2015 to December 31, 2017

Office	Official	Term
Financial Clerk	Jane Klenke	01-01-15 to 12-31-17
President of the Board	Daniel O'Rourke	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 Metamora Regional Sewer District

We have examined Metamora 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 described in the accompanying Schedule of Examination Findings and Results. 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
December 4, 2018

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.

The contents of this report were discussed on December 4, 2018, with Jane Klenke, Treasurer. 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.

Metamora Regional Sewer District
PO Box 321
Brookville, Indiana 47012

765-647-4201

January 11, 2019

To Whom It May Concern:

The only individual who attended the exit conference was Jane Klenke. All findings were reported to the board.

The board of Metamora Regional Sewer District has reviewed the findings of the final audit of 2015, 2016, and 2017. Due to the change in director's and the lack of a central office for a few years, some documentation could not be found regarding the controls of the unit. We have attached a new Internal Control Policy which will be followed.

In addition, we have implemented some new procedures to more closely align our reporting with the type of audit reports required by the external auditor. Our goal is to comply with all guidelines as set forth in state statute to ensure accurate reporting. We appreciate any advice/assistance that will enable us to provide the information you need.

Sincerely,

Jane Klenke

Jane Klenke, Accountant
Metamora Regional Sewer District

Enc.

INTERNAL CONTROLS POLICY

Sound internal control is best achieved by a clearly defined process. Metamora Regional Sewer District is committed to integrity and ethical values. The board of directors is independent from the accounting functions and exercises oversight of the development and performance of internal control.

1. GENERAL

The board of directors is responsible for authorizing all bank accounts and check signers.

Financial institutions where Metamora Regional Sewer District accounts are maintained are notified on of any changes in check signers, following the transition of officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the board of directors for review on a monthly basis. An annual financial compilation, review, or audit, depending upon the size of the budget, will be conducted by a the State Board of Accounts or their designees.

2. CASH RECEIPTS

The office handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Cash receipts must be deposited within 3 days of receipt or when the deposit amount exceeds $2,000, whichever comes first. Incoming cash must be counted and the bank deposit slip will be prepared by one individual. Another individual will record these to the customer accounts on the affiliated software. Cash collection documentation totals must be compared and reconciled to bank deposit receipts whenever a deposit is made. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. The Board will examine the bank reports and deposit entries monthly at the meeting to ensure guidelines are being followed.

3. CASH DISBURSEMENTS

a. Check Authorization
All checks will be presented to the board of directors along with the invoice, voucher form, and the check for examination and signing. Board members will compare the invoice to the check to ensure there is no discrepancy and to ensure the charges are legitimate. Each check will be signed by two board members after approval from the board.
b. Checks
All non-recurring disbursements must be made by check. Recurring disbursements may be set up electronically with vendor via Electronic Funds Transfer with prior board approval. Only pre-numbered checks shall be used and always in sequence. Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees based upon appropriate documentation; and never to "cash" or "bearer". Prior to preparing checks, receiving reports should be compared to vendor invoices for accuracy. Signature stamps may never be used to sign checks. Dual signatures are required for all checks, including any of two of the following signatures: president, vice president, secretary, treasurer, Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked "Void" and retained in a secure place.
c. Bank Reconciliations
Bank accounts must be reconciled by the person responsible on a monthly basis and reviewed by the board. The person performing the reconciliation will not be the same individuals who make deposits or