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January 28, 2019

Board of Trustees
Mariah Hill Regional Sewer District
P.O. Box 204
Mariah Hill, IN 47556

This report is supplemental to the audit report of the Mariah Hill 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/.

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 Mariah Hill 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 findings in the report. Pages 3 through 4 contain five Examination Findings and Results. Management's response may be found on page 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
MARIAH HILL REGIONAL SEWER DISTRICT**

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

MARIAH HILL REGIONAL SEWER DISTRICT

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

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

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Delores M. Balbach	01-01-15 to 12-31-17
President of the Board	Mary Joanne Lehr	01-01-15 to 01-08-16
	Stan Jochim	01-09-16 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Mariah Hill Regional Sewer District

We have examined Mariah Hill 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 items 2018-001, 2018-002, 2018-003, 2018-004 and 2018-005 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 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 18, 2018

MARIAH HILL REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-001: MISSTATEMENT OF CASH

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, *"At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee."*

Condition: During testing, we noted that the ending cash balance of the Wastewater Operating fund was understated by \$7,725 in 2015. This was due to six deposits received between December 25, 2015 and December 31, 2015 which were recorded in 2016 instead of 2015. An entry was posted to correct this.

FINDING 2018-002: REVIEW 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 there is no formal, documented review of disbursements by the Board. The Board informally reviews disbursements on a monthly basis. The same comment appeared in prior State Board of Accounts Report B46210.

FINDING 2018-003: 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 not have a formal, documented review of bank reconciliations.

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 that the Unit did not have formal documentation regarding the implementation of the minimum level of internal controls.

MARIAH HILL REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-005: 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.

MARIAH HILL REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

The contents of this report were discussed on December 18, 2018, with Lori Balbach, Treasurer, and Stan Jochim, 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.

Mariah Hill Regional Sewer District
P. O. Box 204
Mariah Hill, IN 47556

January 16, 2017

To Whom It May Concern:

After the phone conference regarding the audit of our sewer district, the findings of the audit were discussed at the January board meeting and the following changes will be made to reflect the findings brought to our attention from the audit.

1. Finding 2018-001 Misstatement of cash: During testing, auditors noted that the ending cash balance fund was underestimated by \$7,725. The six deposits were not recorded until 2016. An entry was posted to correct this. This occurred before the current clerk took over.
2. Finding 2018-002 Review of Disbursements: Auditors noted that there wasn't any formal, documented review of disbursements by the board. Vouchers have been implemented by the clerk and the voucher is reviewed at each board meeting before they are paid. Board members sign the voucher each month.
3. Finding 2018-003 Bank Account Reconciliation Review: Before the audit, bank account statements were not reviewed during board meeting. The clerk now includes the bank reconciliation statements with the treasurer's report and the board signs the bank statements.
4. Finding 2018-004 Minimum Level of Internal Controls: The auditor provided information about this topic and the board is working on developing a written policy in regards to this.
5. Finding 2018-005 Materiality Threshold: The auditor provided information about this topic as well and the board is working on developing a written policy pertaining to this topic as well.

Sincerely, Dolores Balbach, Clerk for Mariah Hill Regional Sewer District