



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B51973

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 28, 2019

Board of Trustees
Laketon Area Regional Sewer District
1 West Hill Street, Suite 209
Wabash IN 46992

This report is supplemental to the audit report of the Laketon Area Regional Sewer District (District), for the period from January 1, 2016 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 Laketon Area Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2016 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**COMPLIANCE EXAMINATION OF
LAKETON AREA REGIONAL SEWER DISTRICT**

Wabash County, Indiana
January 1, 2016 to December 31, 2017

LAKETON AREA REGIONAL SEWER DISTRICT

Wabash County, Indiana
January 1, 2016 to December 31, 2017

CONTENTS

SCHEDULE OF OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT	2
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:	
2018-001: MINIMUM LEVEL OF INTERNAL CONTROLS	3
EXIT CONFERENCE	4

LAKETON AREA REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2016 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheryl A. Slee	01-01-16 to 12-31-17
President of the Board	Stan Bagley	01-01-16 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Laketon Area Regional Sewer District

We have examined Laketon Area 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, 2016 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, 2016 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, 2016 to December 31, 2017.

The Unit's response to the finding identified in our examination is 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

Indianapolis, Indiana
December 6, 2018

LAKETON AREA REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2016 to December 31, 2017

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.

LAKETON AREA REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2016 to December 31, 2017

The contents of this report were discussed on December 6, 2018, with Cheri Slee, Treasurer, Stan Bagley, President of the Board, and Dave Hawkins, Secretary. 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.

Laketon Area Regional Sewer District

10457 N Ogden Rd.

Laketon, IN 46943

To all; This our official response to the report.

Principle 1. The oversight body and management demonstrate a commitment to integrity and ethical values.

The oversight body and management demonstrate these values through directives, attitudes and behavior. Established standards of conduct are expected to be observed by all throughout the political subdivision and are used when evaluating adherence to the values of the political subdivision.

The board's goal is to provide the best service to the clients of the district at the best cost possible

Principle 2. The oversight body oversees the entity's internal control system.

There is an oversight structure in place. The oversight body oversees management's design, implementation, and operation of the political subdivision's internal control system.

Component One: Control Environment

All Spills and or overflows are reported to IDEM and controlled and cleaned up in a timely matter.

Part One: Minimum Level of Internal Control Standards

Yes

Uniform Internal Control Standards for Indiana Political Subdivisions

Principle 3. Management establishes an organizational structure, assigns responsibility, and delegates authority to achieve the political subdivision's objectives.

Organizational structure is designed, responsibilities are assigned and authority delegation is identified to enable the political subdivision to plan, execute, control and assess achievement of objectives. The organizational structure is designed so that it is clear where responsibilities are, especially for those areas where statute has not assigned particular responsibilities. When needed, management will go back to the legislative body to enact the policies that will clearly define these areas, specifically when the organizational structure extends beyond office or department boundaries to

affect the political subdivision as a whole. Management develops and maintains documentation of the internal control system.

The District Board is made up of 5 members,

Two of which are appointed by the Wabash County Commissioners.
by the Wabash County council.
Township Trustee.

Two are appointed
And one is appointed by the Pleasant

The board then elects a President, a Vice President, a Secretary and a Treasurer.
conducts all board meetings and oversees all functions of the District and has check signature right in the absents of the
Treasurer.
to assume the duties of the President if necessary.

The President
The Vice President assists the President and is available

The Secretary records all meeting minutes and keeps all records.
coordinates all expenditures with the accountants and signs the checks, and keeps all bank records.

The Treasurer

Principle 4. Management demonstrates a commitment to attract, develop and retain competent individuals.

The District has no direct employees. All services are provided by contractors. And are required to attend monthly meetings and present a report monthly.

Policies pertaining to the recruitment, training, mentoring, and retention of personnel consider the objectives of the political subdivision, including succession and contingency plans for key roles.

Yes

Principle 5. Management evaluates performance and holds individuals accountable for their internal control responsibilities.

Yes

Individuals are held accountable for their internal control responsibilities through a recognized, understood structure which includes corrective action procedures. Additionally, management evaluates for excessive pressures on personnel and adjusts these pressures accordingly. Risk is the possibility that an event will occur and adversely affect the