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February 22, 2019

Board of Trustees  
Montgomery County Regional Sewer District  
P.O. Box 246  
Crawfordsville, IN 47933

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the examination of the Montgomery County Regional Sewer 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 Examination Report for Montgomery County Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. In our opinion, the Examination 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.

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  
MONTGOMERY COUNTY REGIONAL SEWER DISTRICT**

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

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT

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

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MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
SCHEDULE OF OFFICIALS  
January 1, 2017 to December 31, 2017

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Co-Treasurer/Recording Secretary	Laura Dossett	01-01-17 to 12-31-17
Co-Treasurer/Board Secretary	Brad Monts	01-01-17 to 12-31-17
President of the Board	Phillip Bane	01-01-17 to 12 31-17

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of Montgomery County Regional Sewer District

We have examined Montgomery County 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, 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 and 2018-002 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 results of our examination procedures disclosed instances of noncompliance which are described in the accompanying Schedule of Examination Findings and Results as item 2018-003. Our opinion is not modified with respect to the matters reported in finding 2018-003.

  
Crowe LLP

Indianapolis, Indiana  
December 20, 2018

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2017 to December 31, 2017

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

**FINDING 2018-002: 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:** Crowe noted management had not approved a materiality threshold as of the final year end under audit.

**FINDING 2018-003: ANNUAL FINANCIAL REPORT**

**Criteria:** Indiana Code 5-11-1-4(a) states, "*The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7.*"

**Condition:** During testing of Annual Financial Report submissions, we noted the Unit did not report any receipt and disbursement activity on the 2017 Annual Financial Report. Therefore, ending cash was not properly stated on the Annual Financial Report. As a result, no financial statements were presented and we were unable to test receipts, disbursements and ending cash balances for 2017. Therefore, no financial statement audit opinion was provided for 2017.

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT  
EXIT CONFERENCE  
January 1, 2017 to December 31, 2017

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The contents of this report were discussed on December 20, 2018, with Laura Dossett, Recording Secretary and Co-Treasurer, Brad Monts, Board Secretary and Co-Treasurer, and Phillip Bane, President of the Board. The officials acknowledged the findings.