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February 25, 2019

Board of Trustees
TriCo Regional Sewer Utility
10755 N College Ave, P.O. Box 40638
Indianapolis, IN 46240

This report is supplemental to the audit report of the TriCo Regional Sewer Utility (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 TriCo Regional Sewer Utility 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. Page 3 contains four Examination Findings and Results. 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
TRICO REGIONAL SEWER UTILITY**

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

TRICO REGIONAL SEWER UTILITY

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

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TRICO REGIONAL SEWER UTILITY
SCHEDULE OF OFFICIALS
January 1, 2013 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Andrew Williams	01-01-13 to 12-31-17
Treasurer	Jane Merrill	01-01-13 to 12-31-17
President of the Board	Ron Hagan Marilyn Anderson	01-01-13 to 12-31-14 01-01-15 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of TriCo Regional Sewer Utility

We have examined TriCo Regional Sewer Utility'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, 2018-002, 2018-003, and 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.

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 3, 2018

TRICO REGIONAL SEWER UTILITY
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2017

FINDING 2018-001: MISSTATEMENT OF CASH AND DISBURSEMENTS

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 ending cash was understated by an additional \$93,661 in 2016 due to interest receipts that were not posted to the Construction Fund but included in the bank balance. This second misstatement was corrected on the Annual Financial Report.

Finally, in 2017, we noted that interest receipts and other disbursements were understated by \$97,090 and \$90,003, respectively. Cash was therefore, understated by \$7,087. The Unit elected to waive this entry as well.

FINDING 2018-002: 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 that the Unit prepares bank reconciliations on a monthly basis. However, these are not reviewed by a member of the Board.

FINDING 2018-003: APPROVAL OF TRANSFERS

Criteria: Indiana Code 5-11-10-1.6 states in part, "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless...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 transfers, we noted the Unit does not have an approval process in place to approve transfers of funds.

FINDING 2018-004: CONDITION OF RECORDS

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 management did not have cash receipt reports which agreed to sewage fees reported on the Annual Financial Report. Additionally, we noted that management could not provide a schedule of capital outlays which agreed to capital outlays reported on the Annual Financial Report. Management was able to provide us with a schedule of total receipts and disbursements from the general ledger for each fund for each year under audit to ensure that total receipts and disbursements for each fund were accurately stated.

TRICO REGIONAL SEWER UTILITY
EXIT CONFERENCE
January 1, 2013 to December 31, 2017

The contents of this report were discussed on December 3, 2018, with Cindy Sheeks, Controller, Jane Merrill, Treasurer, and Andrew Williams, Utility Director. 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.



TriCo Regional Sewer Utility

www.TriCo.eco Phone (317) 844-9200 Fax (317) 844-9203

December 7, 2018

Crowe LLP
3815 River Crossing Pkwy Suite 300
Indianapolis, IN 46240

Ladies and Gentlemen:

This letter is in response to the findings identified in the compliance examination for January 1, 2013 to December 31, 2017.

Response to Finding 2018-001: Misstatement of Cash and Disbursements

The Utility has updated the documentation regarding the preparation of the Annual report to include the reporting of interest earned. The Utility has updated the procedures to validate the cash and disbursements reported match the cash general ledger reports for each fund. Income statement reports produced from the financial software are accrual based. Using the cash general ledger reports for the Annual Financial Report preparation will ensure the proper reporting of the cash receipts and disbursements.

Response to Finding 2018-002: Bank Account Reconciliation Review

The Utility has begun a bank reconciliation monthly review between the controller and the director. It is the Utility's position a review by the director would be the appropriate action.

Response to Finding 2018-003: Approval of Transfers:

The audit finding states that "During testing of transfers, we noted the Unit does not have an approval process in place to approve transfers of funds."

Book transfers were made during the audit period between Cash and Money Market accounts when the cash balance of a fund would have become negative. Offsetting transfers were made between a second set of Cash and Money Market accounts. As an example, the Construction Fund could have had \$100,000 transferred from their Money Market account to the Cash account. The Operating Fund would have an offsetting transfer of \$100,000 from Cash to the Money Market account. The net effect of these transfers was a zero-balance effect on total Cash and Money Market accounts. There was not a physical transfer of funds from bank accounts. The bank account Cash and Money Market accounts contain balances from multiple funds in a single account.

These transactions were made by monthly Journal Entries only. Since there was not a physical transfer of cash from any bank account, no warrant or check were issued. As a result of these being book transactions only, no approval of the legislative body or board was required.

All transfers between funds are approved during the budget process by the Board.

Response to Finding 2018-004: Condition of Records

Your audit finding states "Management did not have cash receipt reports which agreed to sewage fees reported on the Annual Financial Report."

The sewage fees reported for 2013, 2014, 2015 and 2017 included residential and commercial sales, application and plan review fees. When the application and plan review fees are deducted from the total amount reported, the sewage fees were within 1% of the amount reported as collected in the billing software; 2013 was 0.06%, 2014 was 0.53%, 2015 was -0.97% and 2017 was 0.40%. The reported amount in 2016 was just user fees on the Annual report and had a 0.40% variation from the billing software. The reconciliation was uploaded into the portal.

The accounting software and the billing software are not integrated. We are planning a custom program in the billing software to produce the journal entry for the accounting software in 2018 which will eliminate this discrepancy. The financial software is accrual based and the monthly journal entry reflects the sales, not collection.

The report of Capital outlays will modify to include only cash expenditures during the time frame being reported on the Annual Financial Report. See procedure outlined in Finding 2018-001 above.

Sincerely,



Andrew Williams
Utility Director