



STATE OF INDIANA
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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

March 8, 2019

Board of Trustees
Rural Huntington Regional Water and Sewer District
P.O. Box 5066
Huntington, IN 46750

This report is supplemental to the audit report of the Rural Huntington Regional Water and Sewer District (District), for the period from January 1, 2017 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 Rural Huntington Regional Water and Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 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 and 4 contain four 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.

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

Paul D. Joyce, CPA
State Examiner

**COMPLIANCE EXAMINATION OF
RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT**

Huntington, Indiana
January 1, 2017 to December 31, 2017

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT

Huntington, Indiana
January 1, 2017 to December 31, 2017

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RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2017 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Scheiber	01-01-17 to 12-31-17
President of the District Board	Bruce Stanton	01-01-17 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Rural Huntington Regional Water and Sewer District

We have examined Rural Huntington Regional Water and 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, 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, 2017 to December 31, 2017.


Crowe LLP

Indianapolis, Indiana
December 14, 2018

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-001: DISTRICT BOARD

Criteria: Indiana Code 13-26-4-7 states in part: "(a) . . . the board of a district may provide for the payment of not more than fifty dollars (\$50) per day to members of the board for each day or major part of a day devoted to the work of the district. . . ."

(c) Members of the board are entitled to receive an amount for travel expenses equal to the amount paid to state employees for expenses incurred in the performance of their duties. . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Condition: During testing, we noted the members of the District Board were statutorily entitled to compensation of \$50 per day or major portion of a day they devoted to work related to the District's business. The District Board did not maintain a record of days worked that agreed with payments they received. Additionally, no one approved the time charged. The District should maintain a record of days devoted to District business to support the compensation paid. The same comment also appeared in the prior State Board of Accounts Report B49464.

FINDING 2018-002: 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.

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2017

FINDING 2018-003: 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.

FINDING 2018-004: ANNUAL FINANCIAL REPORT

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 District designed internal control procedures regarding the Annual Financial Report (AFR), whereby the District Board was to approve the AFR prepared by the Treasurer. During a review of these controls, there was no evidence, such as a corresponding signature the AFR had been reviewed, to support the control was being followed.

RURAL HUNTINGTON REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2017

The contents of this report were discussed on December 14, 2018, with Christi Heffelfinger, Accountant, and Bruce Stanton, 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.

Rural Huntington

Regional Water & Sewer District
P.O. Box 5066
Huntington, Indiana 46750

December 14, 2018

We have been made aware that the Rural Huntington Water & Sewer District board members are required to submit time logs of some sort to substantiate any compensation that they receive.

This was brought to our attention when the 2012-2016 SBOA review was completed at the end of 2017. In response, corrective action was taken as of January 2018.

Thank you,



Bruce Stanton, Board President