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March 11, 2019

Board of Trustees  
Luce Township Regional Sewer District  
P.O. Box 353  
Hatfield, IN 47617

This report is supplemental to the audit report of the Luce Township Regional 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/](http://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 Luce Township Regional 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 through 4 contain 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  
LUCE TOWNSHIP REGIONAL SEWER DISTRICT**

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

LUCE TOWNSHIP REGIONAL SEWER DISTRICT

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

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LUCE TOWNSHIP 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>
Superintendent	Eleisha Shelton	01-01-17 to 12-31-17
Treasurer	Beth Packer	01-01-17 to 12-31-17
President of the Board	Jay Kempf	01-01-17 to 12-31-17

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of Luce Township Regional Sewer District

We have examined Luce Township 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 through 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 10, 2018

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

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**FINDING 2018-001: SEGREGATION OF DUTIES**

**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: "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 Office Manager performs all administrative and accounting functions with little review by the Board. The Office Manager obtains receipts from a locked mailbox, logs payments, and deposits checks. She prepares monthly bank reconciliations without formal review from the Board.

**FINDING 2018-002: PAYROLL SUPPORTING DOCUMENTATION**

**Criteria:** Indiana Code 5-11-9-4(b) states in part, "The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees."

**Condition:** During testing of compliance, we noted that the Unit was unable to provide the timecards for the payroll selections.

**FINDING 2018-003: 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:** The Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

LUCE TOWNSHIP 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 10, 2018, with Caitlin Goldsberry, Financial Clerk, Don Phillips, Superintendent, and Larry Blair, Treasurer. The officials acknowledged the findings.