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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 12, 2019

Board of Trustees
Lake Dalecarlia Regional Waste District
15901 Briargate Place
Lowell, IN 46356

This report is supplemental to the audit report of the Lake Dalecarlia Regional Waste District (District), for the period from January 1, 2015 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 Lake Dalecarlia Regional Waste District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2015 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 three Examination Findings and Results. Management's response may be found on page 5.

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
LAKE DALECARLIA REGIONAL WASTE DISTRICT**

Lake County, Indiana
January 1, 2015 to December 31, 2017

LAKE DALECARLIA REGIONAL WASTE DISTRICT

Lake County, Indiana
January 1, 2015 to December 31, 2017

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LAKE DALECARLIA REGIONAL WASTE DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2015 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Nicole Walkowiak	01-01-15 to 12-31-17
President of the Board	Jim Teske	01-01-15 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Lake Dalecarlia Regional Waste District

We have examined Lake Dalecarlia Regional Waste 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, 2015 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, 2015 to December 31, 2017, as described in items 2018-001, 2018-002 and 2018-003 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, 2015 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 4, 2018

LAKE DALECARLIA REGIONAL WASTE DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-001: BANK ACCOUNT RECONCILIATIONS

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 bank reconciliations are not formally reviewed on a monthly basis. We noted that the reconciliations are informally reviewed but was unable to obtain any proof of a formal review process by the Board.

FINDING 2018-002: TRANSFER REPORTING

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 of transfers, we noted the following conditions.

- Debt service payments totaling \$86,235 were incorrectly recorded as transfers during 2016. An entry was posted to correct this error.
- Transfers in and out of funds did not net to zero during each year under audit. Transfers in exceeded transfers out by \$99,391 in 2017. Transfers out exceeded transfers in by \$7,485 and \$11,132 in 2016 and 2015, respectively.
- Supporting detail of transfers out was not properly reconciled with the Annual Financial Report. The variance between the supporting detail obtained from management and transfers out reported on the Annual Financial Report was \$98,392, \$182,771 and \$24,962 in 2015, 2016 and 2017, respectively.

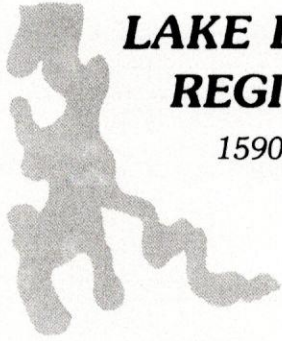
FINDING 2018-003: MINIMUM LEVEL OF INTERNAL CONTROLS

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: 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.

LAKE DALECARLIA REGIONAL WASTE DISTRICT
EXIT CONFERENCE
January 1, 2015 to December 31, 2017

The contents of this report were discussed on December 4, 2018, with Nicole Walkowiak, District Manager, and Carol White, Clerk. 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.



LAKE DALECARLIA REGIONAL WASTE DISTRICT

15901 Briargate Place • Lowell, Indiana 46356
(219) 696-4035 • (219) 696-4055 FAX

The Official Response submitted included documents which are not included in this report. These additional documents are available upon request made to the Indiana State Board of Accounts.

12/4/18

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

Ladies and Gentlemen,

We are providing this letter in response to the findings identified in the compliance examination report for audit years 2015, 2016, and 2017 done by Crowe LLP.

The financial audit was based upon information that was requested to be provided by Lake Dalecarlia Regional Waste District staff by Crowe LLP through their online system. Crowe LLP did not provide staff to come to our location to review any of the records onsite.

In regards to finding 2018-001: Bank Account Reconciliations

All bank accounts are reconciled monthly in the office and are balanced every month. All paperwork showing the reconciliation is available in the office and upon request. There is no corrective action needed, as all bank accounts are reconciled monthly.

In regards to finding 2018-002: Transfer Reporting

Any discrepancies that are found in transfers not zeroing out is simply a coding error. All transfers are written from one account and deposited directly into the receiving account. Proof of all transfers (disbursement and receipts) and any disbursements that were coded incorrectly are available in the office and upon request. SBoA coding has been reviewed and corrected where necessary.

In regards to finding 2018-003: Minimum Level of Internal Controls

The Lake Dalecarlia Regional Waste District Board of Trustees adopted Ordinance 2016-03 "An Ordinance Internal Control Standards and Procedures" on August 8, 2016. A copy is

enclosed herein for reference. A copy of the training certification of both office employees is also enclosed. All Resolutions and Ordinances are available in the office and upon request. There is no corrective action needed, as this ordinance was passed and training was completed in 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicole Walkowiak". The signature is written in a cursive, flowing style.

Nicole Walkowiak, District Manager

LAKE DALECARLIA REGIONAL WASTE DISTRICT
AUDITOR RESPONSE
January 1, 2015 to December 31, 2017

To provide clarity and perspective, we are commenting on the Official Response to our Audit Result and Comment on the previous page. The Official Response to this report was submitted by Nicole Walkowiak, District Manager of the Lake Dalecarlia Regional Waste District.

Finding 2018-001: Bank Account Reconciliation Review

During testing, we noted that bank reconciliations are not formally reviewed on a monthly basis. We noted that the reconciliations are informally reviewed but was unable to obtain any proof of a formal review process by the Board. We believe that the lack of a formal review could potentially cause errors or misstatements in bank reconciliations to go undetected and not corrected, causing a misstatement of the financial statements. We recommend that the Unit implement an internal control procedure which would include an independent, documented review of all bank reconciliations.

Finding 2018-002: Transfer Reporting

During testing, we noted several issues surrounding transfers in and out, relating to reporting of transfers on the Annual Financial Report and supporting detail obtained from management. We noted an error in coding of expenses as 2016 debt service payments were incorrectly reported as transfers out, causing a misstatement of the Annual Financial Report, which was corrected by management.

Additionally, we noted that transfers in and transfers out did not net to zero each year under audit. Transfers between funds presented on the Annual Financial Report should always net to zero. For detail on the amount by which transfer in and out did not net to zero, see page 3.

Finally, when testing the client provided detail of transfers, we noted this detail did not agree to the transfers in and out listed on the Annual Financial report. Management was unable to reconcile the variances each year, noted on page 3. We recommend that the Unit implement an internal control procedure which would include an independent, documented review of all transfer activity.

Finding 2018-003: Minimum Level of Internal Controls

Indiana Code 5-11-1-27(e) provides that through the compliance guidelines authorized under IC 5-11-1-24 the state board of accounts shall define the acceptable minimum level of internal control standards for internal control systems of political subdivisions, including the following: (1) Control Environment. (2) Risk Assessment. (3) Control Activities. (4) Information and Communication. (5) Monitoring. Although the Unit, adopted these internal control standards, we noted that management had not yet formally documented how the Unit implemented the internal control standards, specifically the five areas of internal control listed above. We recommend that the Unit review the Indiana Code cited above and document their consideration of all 5 components of the internal control system.