



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B52433

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 27, 2019

Board of Trustees
Allen County Regional Water and Sewer District
PO BOX 11888
Fort Wayne, IN 46861

This report is supplemental to the audit report of the Allen County 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 Allen County 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. Page 3 contains three Examination Findings and Results. Management's response may be found on pages 5 through 7.

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
ALLEN COUNTY REGIONAL SEWER & WATER DISTRICT**

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

ALLEN COUNTY REGIONAL SEWER & WATER DISTRICT

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

CONTENTS

SCHEDULE OF OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT	2
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:	
2018-001: BANK ACCOUNT RECONCILIATION REVIEW	3
2018-002: MATERIALITY THRESHOLD	3
2018-003: MINIMUM LEVEL OF INTERNAL CONTROLS	3
EXIT CONFERENCE	4

ALLEN COUNTY REGIONAL SEWER & WATER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2017 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Kenneth Neumeister (deceased)	01-01-17 to 04-15-17
	Erika Beachem (acting)	04-16-17 to 06-27-17
	Jeffrey Morris	06-28-17 to 12-31-17
Treasurer	Win Rood	01-01-17 to 12-31-17
President of the Board	Ric Zehr	01-01-17 to 12-31-17
Office Administrator	Deborah Fee	01-01-17 to 01-30-17
	(Vacant)	01-31-17 to 03-14-17
	Erika Beachem	03-15-17 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Allen Co Regional Sewer & Water District

We have examined Allen Co Regional Sewer & Water 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 2018-003 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, 2017 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 11, 2018

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

FINDING 2018-001: 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 the Unit did prepare bank reconciliations on at least a monthly basis. However, we noted no formal, documented review process over these reconciliations.

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: During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

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.

ALLEN COUNTY REGIONAL SEWER & WATER DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2017

The contents of this report were discussed on December 11, 2018, with Erika Beachem, Office Administrator, Justin Brugger, Vice President, Jeffrey Morris, Executive Director, and Allison Bayley, External Accountant. 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.



ALLEN COUNTY REGIONAL WATER & SEWER DISTRICT

POST OFFICE BOX 11888

FORT WAYNE, INDIANA 46861-1888

Telephone: (260) 427-2696

www.acrwsd.com

CORRECTIVE ACTION PLAN

FINDING 2018-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jeff Morris, Executive Director

Contact Phone Number: (260) 427-2696

Views of Responsible Official: We concur with the finding of the auditor

Description of Correction Action Plan: The Allen County Regional Water and Sewer District will implement a document review and reconcile monthly check and bank reconciliations on at least a monthly basis.

Anticipated Completion Date: January 23, 2019

Jeffrey A. Morria

(Signature)

Executive Director

(Title)

1/18/19

(Date)



ALLEN COUNTY REGIONAL WATER & SEWER DISTRICT

POST OFFICE BOX 11888

FORT WAYNE, INDIANA 46861-1888

Telephone: (260) 427-2696

www.acrwsd.com

CORRECTIVE ACTION PLAN

FINDING 2018-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jeff Morris, Executive Director

Contact Phone Number: (260) 427-2696

Views of Responsible Official: We concur with the finding of the auditor

Description of Correction Action Plan: The Allen County Regional Water and Sewer District will adopt an ordinance approved materiality threshold policies and procedures to administer and report.

Anticipated Completion Date: February 27, 2019

Jeffrey A. Morris

(Signature)

Executive Director

(Title)

1/18/19

(Date)



ALLEN COUNTY REGIONAL WATER & SEWER DISTRICT

POST OFFICE BOX 11888

FORT WAYNE, INDIANA 46861-1888

Telephone: (260) 427-2696

www.acrwsd.com

CORRECTIVE ACTION PLAN

FINDING 2018-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jeff Morris, Executive Director

Contact Phone Number: (260) 427-2696

Views of Responsible Official: We concur with the finding of the auditor

Description of Correction Action Plan: The Allen County Regional Water and Sewer District will adopt an ordinance approved internal controls policies and procedures to administer and report.

Anticipated Completion Date: February 27, 2019

Jeffrey A. Morris

(Signature)

Executive Director

(Title)

1/18/19

(Date)