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March 27, 2019

Board of Trustees
Elkhart County Regional Sewer District
C/O County Commissioners
117 N 2nd Street
Elkhart, IN 46526

This report is supplemental to the audit report of the Elkhart County Regional Sewer District (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 Elkhart County Regional Sewer District 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. Pages 3 through 4 contain six Examination Findings and Results. Management's response may be found on pages 6 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
ELKHART COUNTY REGIONAL SEWER DISTRICT**

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

ELKHART COUNTY REGIONAL SEWER DISTRICT

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

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ELKHART COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2013 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Project Coordinator	Kristine A. Krueger	01-01-13 to 12-31-17
Treasurer	Thomas Holtzinger	01-01-13 to 12-31-17
President of the Board	Scott Robinia	01-01-13 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Elkhart County Regional Sewer District

We have examined Elkhart County 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, 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 through 2018-006 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 14, 2018

ELKHART COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2017

FINDING 2018-001: MISSTATEMENT OF CASH BALANCES

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 cash, we noted the following misstatements of cash. The same comment appear in prior State Board of Accounts Report B43276.

- 2013 Wastewater Operations ending cash was understated by \$89,701 due to utility receipts being understated in the same year. An entry was posted to adjust this.
- 2015 Wastewater Bond and Interest ending cash was overstated by \$94,781 due to an accounting adjustment posted in the wrong fiscal year. An entry was posted to adjust this.
- 2015 Wastewater Capital Reserve ending cash was understated by \$4,995. Management elected to waive an entry to adjust this in 2015 as this was corrected in the 2016 Annual Financial Report.
- Total 2017 ending cash was overstated by \$1,154. Management elected to waive an entry to adjust this in current year and correct this in the next fiscal year.

FINDING 2018-002: 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 the Unit did not prepare bank reconciliations on at least a monthly basis.

FINDING 2018-003: ANNUAL FINANCIAL REPORT

Criteria: Indiana Code 5-11-1-4(a) states, "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Condition: During testing of Annual Financial Report, we noted that the 2012 and 2017 Annual Financial Report was submitted on April 12, 2013 and March 13, 2018, respectively. The 2012 and 2017 Annual Financial Reports were submitted 42 and 12 days late, respectively. Additionally, we noted that the 2016 Annual Financial Report was not submitted.

FINDING 2018-004: OFFICIAL BOND

Criteria: Indiana Code 13-26-2-10 states in part, "the commissioner shall issue an order directing that the district be established...(b) An order must do the following:...(2) provide requirements for sufficient bonds for all officers, trustees, or employees having power to dispense money of the district."

Condition: During testing, we noted the unit did not meet the requirements of IC 13-26-2-10 with respect to surety bond requirements.

ELKHART COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2017

FINDING 2018-005: CERTIFIED REPORT

Criteria: Indiana Code 5-11-13-1(a) states in part, "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7."

Condition: During testing, we noted that the Unit did not submit its 100R report in 2012 and 2013.

FINDING 2018-006: 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 have formal documentation regarding the implementation of the minimum standard of internal controls.

ELKHART COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2013 to December 31, 2017

The contents of this report were discussed on December 14, 2018, with Kristine Krueger, Administrative Assistant, Gale Gerber, Board Member, and Thomas Holtzinger, Treasurer. 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.

Elkhart County Regional Sewer District

December 17, 2018

RESPONSE TO SCHEDULE OF EXAMINATION FINDINGS AND RESULTS AS PRESENTED BY CROWE LLP FOR AUDIT YEARS OF JANUARY 1, 2013 TO DECEMBER 31, 2017

Elkhart County Regional Sewer District
Contact Person: Kristine Krueger, Administrative Assistant
Contact Phone Number: 574-535-6746; kkruieger_ecrsd@yahoo.com

The Elkhart County Regional Sewer District respectfully submits the following response to the audit findings presented by Crowe LLP on December 14, 2018.

FINDING 2018-001: Misstatement of Cash Balances

The District concurs with the following:

- The Board agrees that the 2013 Wastewater Operations ending cash was reported incorrectly by \$89,701.00 **and** that a corrective entry was posted to adjust this error.

THEREFORE: it is the District's opinion that the issue was resolved and no further action is needed.

- The Board agrees that the 2015 Wastewater Bond and Interest ending cash was reported incorrectly by \$94,781.00 **and** that a corrective entry was posted to adjust this error.

THEREFORE: it is the District's opinion that the issue was resolved and no further action is needed.

- The Board agrees that the 2015 Wastewater Capital Reserve ending cash was reported incorrectly by \$4,995.00. **However**, the District corrected the error in the 2016 Annual Financial Report.

THEREFORE: it is the District's opinion that the issue was resolved and no further action is needed.

- The Board agrees that the 2017 ending cash was reported incorrectly by \$1,154.00. The District has elected to waive an adjustment entry for year 2017 **and** to correct the error in the 2018 Annual Financial Report.

The issue will be resolved with the submission of the 2018 Annual Financial Report.

Continued course of action – The District will take measures to ensure entries are reported properly on all future Annual Financial Reports. This includes continuation of annual review of submission instructions as well as participation in any and all appropriate Gateway/SBOA available trainings.

FINDING 2018-002: Bank Account Reconciliations

The District agrees that bank account reconciliation activity could be more adequately documented. The administrative personnel along with the Board Treasurer have evaluated the situation and have created and taken steps to ensure bank account reconciliations are appropriately documented and verified.

This concern is being resolved with **immediate** implementation of bank reconciliation documentation starting in 2018.

FINDING 2018-003: Annual Financial Report

The District agrees that the Annual Financial Report has at times been submitted late and will take the following steps to prevent the situation from being repeated.

The District will confer with Gateway and SBOA personnel to ensure that the appropriate individuals responsible for report submission have been and/or remain assigned to associated duties and/or that all the appropriate documentation is in order and their access remains active.

Additionally, the District will take steps to have the report complete and submitted early to allow time to correct any issues that may arise.

FINDING 2018-004: Official Bond

The District has reviewed and incorporated SBOA's October 22, 2015 Public Official Bonds notification into their policies and procedures. Administrative personnel has been assigned the responsibility of recording the bonds upon the District Board's evaluation and approval of bond amounts.

FINDING 2018-005: Certified Report

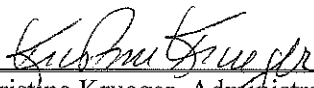
The District agrees that submission of the 100R report was not submitted in 2012 & 2013. The District is not a state, county, city, town, township or school official governed by Indiana Code 5-11-13-1. That being stated, the 100R report has been submitted for all subsequent years.

Therefore it is the District's opinion that the issue was resolved and no further action is needed.

FINDING 2018-006: Minimum Level of Internal Controls

The District recognize that the Level of Internal Controls could be improved. The District will further research and education itself on SBOA requirements and utilize any and all SBOA and associated information to strengthen the District's internal controls. Activities will include conducting / documenting the District's financial risk, assessing the roles and activities designated for internal control purposes, and monitoring and evaluating activity effectiveness. The District anticipates beginning the endeavor in Jan 2019 with the risk assessment and controls. The District intends to address the most critical items and put in place and implement additional controls by year end. The District Board will elaborate upon the Policy Book being utilized to document all present and future procedures and strengthen check and balance procedures.

Internal Controls monitoring, evaluation and updating is an open-ended administrative activity, **therefore** the District has not set a deadline for completion.



Kristine Krueger, Administrative Assistant
Elkhart County Regional Sewer District

December 17, 2018