



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 27, 2019

Board of Trustees
Jennings Northwest Regional Utilities District – Sewage
3847 County Monroe West
North Vernon, IN 47265

This report is supplemental to the audit report of the Jennings Northwest Regional Utilities District – Sewage (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 Jennings Northwest Regional Utilities District – Sewage 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 5 contain ten Examination Findings and Results.

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
JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT**

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

JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT

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

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JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2017 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Controller	Dan B. Wooton	01-01-17 to 12-31-17
President of the Board	Edwin Whitaker	01-01-17 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Jennings Northwest Regional Utility District

We have examined Jennings Northwest Regional Utility 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 2018-009 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 results of our examination procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Examination Findings and Results as item 2018-010. Our opinion is not modified with respect to the matter reported in finding 2018-010.


Crowe LLP

Indianapolis, Indiana
March 19, 2019

JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

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 and the Financial Controller perform almost all administrative and accounting functions with little to no review by the Board. The Office Manager prepares all AP vouchers, reviews the receipt slips prepared by the clerks, and deposits the cash at the bank. The Financial Controller prepares the monthly bank reconciliation with no review. We also noted the Board does not review or sign off on the Annual Financial Report.

FINDING 2018-002: RECEIPT SUPPORTING DOCUMENTATION

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, we noted that the Unit was unable to provide a summary detail of receipts which would reconcile to the Annual Financial Report. In order to confirm the accuracy of total receipts reported in each fund, we obtained monthly bank statements and agreed receipt activity to the Annual Financial Report without exception. As we were able to confirm total receipts via monthly bank statements, we have passed on posting an adjustment related to this lack of receipt detail.

FINDING 2018-003: DISBURSEMENT RECONCILIATION

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, "Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee."

Condition: During testing of disbursements, we noted the Unit was unable to reconcile 2017 Water and Wastewater Operating check registers to total disbursements listed on the Annual Financial Report. We noted disbursements on the Annual Financial Report exceeded the check register by \$580,014. In order to gain comfort over total disbursements listed on the Annual Financial Report, we obtained monthly bank statements and agreed total disbursements per the monthly bank statements to the Annual Financial Report without exception. Therefore, we will pass on posting any adjusting entries related to this variance.

JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-004: 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, we noted the 2017 Annual Financial Report was submitted on June 18, 2018, 110 days after the due date. The same comment also appeared in the prior 2012 State Board of Accounts Report B44414.

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 the 2017 100R was submitted on June 18, 2018, 138 days after the due date.

FINDING 2018-006: 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 2018-007: 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 has no formal documentation of the implementation of a minimum level of internal controls standards.

JENNINGS NORTHWEST REGIONAL UTILITY DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2017 to December 31, 2017

FINDING 2018-008: 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.

FINDING 2018-009: TIME CARDS

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, we noted that our sample of employee timecards selected for testing, could not be provided by management.

FINDING 2018-010: 2013-2016 ANNUAL FINANCIAL REPORTS

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, we noted the Unit did not submit Annual Financial Reports for 2013, 2014, 2015 and 2016. As a result, no financial statements were presented and we were unable to test receipts, disbursements and ending cash balances during 2013, 2014, 2015, and 2016. Therefore, no financial statement audit opinion nor compliance examination opinion was provided over these years.

JENNINGS NORTHWEST REGIONAL UTILITIES DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2017

The contents of this report were discussed on December 21, 2018, with Dan Wooton, Financial Controller, and Brian Roney, Treasurer. The officials acknowledged the findings.