



STATE OF INDIANA
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March 28, 2019

Board of Trustees
Mexico Regional Sewer District
P.O. Box 96
Mexico, IN 46958

This report is supplemental to the audit report of the Mexico Regional Sewer District (District), for the period from January 1, 2013 to December 31, 2016. 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 Mexico Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2013 to December 31, 2016. 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.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce, CPA
State Examiner

**COMPLIANCE EXAMINATION OF
MEXICO REGIONAL SEWER DISTRICT**

Miami County, Indiana
January 1, 2013 to December 31, 2016

MEXICO REGIONAL SEWER DISTRICT

Miami County, Indiana
January 1, 2013 to December 31, 2016

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MEXICO REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2013 to December 31, 2016

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert C. Appleton	01-01-13 to 05-19-16
	Daniel Day	05-20-16 to 12-31-16
President of the Board	Shirley Leazenby	01-01-13 to 03-31-13
	John Stoeckert	04-01-13 to 06-01-14
	John Stoeckert (Interim)	06-02-14 to 09-22-14
	(Vacant)	09-23-14 to 10-13-14
	Richard D. Hostetler	10-14-14 to 12-31-16

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Mexico 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, 2016. 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, 2016, as described in items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005 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, 2016.

The results of our examination procedures disclosed instances of noncompliance which are described in the accompanying Schedule of Examination Findings and Results as item 2018-006. Our opinion is not modified with respect to the matters reported in findings 2018-006.


Crowe LLP

Indianapolis, Indiana
December 20, 2018

MEXICO REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2016

FINDING 2018-001: SUPPORTING DOCUMENTATION

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 receipts, we noted 17 instances, in a sample of 48, in which supporting documentation could not be provided. During testing of disbursements, we noted 2 instances, in a sample of 32, in which supporting documentation could not be provided.

FINDING 2018-002: BANK 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 for the years ended December 31, 2013 and 2014. We noted the following misstatements of cash when comparing the 2013 and 2014 bank statements to the Annual Financial Report. We recommend management correct these misstatements on the 2017 Annual Financial Report.

- 2013 Collection Fund cash and other receipts per the Annual Financial Report were understated by \$4,675. Management has elected to waive this likely adjusting entry.
- 2014 Collection Fund cash and other receipts per the Annual Financial Report were understated by \$13,682. Management has elected to waive this likely adjusting entry.

Additionally, we noted the bank reconciliations for the years ended December 31, 2015 and 2016 were not formally reviewed by the Board. We noted the following misstatements of cash when testing the 2015 and 2016 bank account reconciliations. We recommend management correct these misstatements on the 2017 Annual Financial Report. The same comment appeared in prior State Board of Accounts Report B44833.

- 2015 Collection Fund cash and other disbursements per the Annual Financial Report were overstated by \$6,910. Management has elected to waive this known adjusting entry.
- 2016 Collection Fund cash and other receipts per the Annual Financial Report were understated by \$9,954. Management has elected to waive this known adjusting entry.

FINDING 2018-003: 2013, 2014, 2015 AND 2016 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 submissions, we noted the 2013 Annual Financial Report was submitted on March 4, 2018, 3 days after the due date. We noted the 2014, 2015 and 2016 Annual Financial Reports were submitted on August 17, 2018. The same comment appeared in prior State Board of Accounts Report B44833

MEXICO REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2013 to December 31, 2016

FINDING 2018-004: 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 level of internal controls.

FINDING 2018-005: 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 2018-006: 2017 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 submissions, we noted the Unit submitted the 2017 Annual Financial Report on August 18, 2018, 230 days after the due date.

MEXICO REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2013 to December 31, 2016

The contents of this report were discussed on December 20, 2018 with Daniel Day, Treasurer, and Kody Herbst, Board President. The officials acknowledged the findings.