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March 28, 2019

Board of Trustees
Scott County Regional Sewer District
88 W McClain Av
Scottsburg, IN 47170

This report is supplemental to the audit report of the Scott County Regional Sewer 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 Scott County Regional Sewer 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. Pages 3 through 4 contain four Examination Findings and Results. Management's response may be found on page 6.

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
SCOTT COUNTY REGIONAL SEWER DISTRICT**

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

SCOTT COUNTY REGIONAL SEWER DISTRICT

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

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SCOTT COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2015 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Clara L. Adkins	01-01-15 to 12-31-17
President of the Board	Randall D. Moffett	01-01-15 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Scott 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, 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, 2018-003 and 2018-004 in 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 20, 2018

SCOTT COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

FINDING 2018-001: MISSTATEMENT OF CASH

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 the 2015 Bond and Interest BNY ending cash balance was overstated by \$58,713. The overstatement was due to the Bank of New York sending incorrect year-end statements. The statements left off the beginning balance incorrectly showing a beginning balance of \$0. The statements also did not include the January bond payment made. The client did not receive the corrected statements until March 2016, which was after the 2015 Annual Financial Report was filed. An entry was posted to correct the 2015 activity and going forward on books and for Annual Financial Reports. The same comment appeared in prior State Board of Accounts Report B46541.

FINDING 2018-002: RECEIPT AND DISBURSEMENT 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 reconcile receipts and disbursements on the Annual Financial Report to the Unit’s internal records. As we were able to confirm ending cash in each year after the above corrections were made, we will pass on posting any adjusting entries related to these variances.

In 2015 and 2017, the utility fees reported on the Annual Financial Report exceeded the Unit’s detail by \$2,627 and \$8,515, respectively. In 2016, disbursements on the Annual Financial Report exceeded the check register by \$4,726. In 2017, the check register exceeded disbursements on the Annual Financial Report by \$5,529.

FINDING 2018-003: 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 one of the Unit’s outside consultant performs all administrative functions with little to no review by the Board. He obtains receipts, makes the daily log, and deposit checks. He prepares the AP vouchers without consistent review from the Board. Another outside consultant prepares the Annual Financial Report prepares the monthly bank reconciliation with no Board review. The Board should document their review and acceptance of the work product of advisors to document segregation of duties.

SCOTT COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

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 a minimum level of internal controls.

SCOTT COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2015 to December 31, 2017

The contents of this report were discussed on December 20, 2018, with Jeff Cox, External Accountant, Randall Moffett, President of the Board, Sharon Schmittler, Board Member, and Jennifer Hamelman, Secretary. 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.

SCOTT COUNTY REGIONAL SEWER DISTRICT

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January 2, 2019

Indiana State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

RE: Official Response
Contact Person for Corrective Action: Randall D. Moffett
Title: President of the Board

FINDING 2018-001: MISSTATEMENT OF CASH

We concur with the finding. No additional corrective action is necessary since the Bank of New York's error has already been corrected.

FINDING 2018-002: RECEIPT AND DISBURSEMENT SUPPORTING DOCUMENTATION

We concur with the finding. A member of the Board will be designated to review the reconciliation of receipts and disbursements on the Annual Financial Report to the Unit's internal records.

FINDING 2018-003: SEGREGATION OF DUTIES

We concur with the finding. A member of the Board will be designated to document their review and acceptance of the work product of advisors to document segregation of duties.

FINDING 2018-004: MINIMUM LEVEL OF INTERNAL CONTROLS

We concur with the finding. We plan to provide formal documentation regarding the implementation of a minimum level of internal controls.

Sincerely,



Randall Moffett, President
Scott County Regional Sewer District