



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 28, 2019

Board of Trustees
Thralls Station Regional Sewer District
1 Sisters of Providence
C/O Central Business Office
St Mary-of-the-Woods, IN 47876

This report is supplemental to the audit report of the Thralls Station 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 Thralls Station 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 five Examination Findings and Results.

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
THRALLS STATION REGIONAL SEWER DISTRICT**

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

THRALLS STATION REGIONAL SEWER DISTRICT

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

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THRALLS STATION REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS
January 1, 2013 to December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steve Ackman	01-01-13 to 12-31-13
	Jane A. Hadley	01-01-14 to 12-31-16
	Lynn E. Holloman	01-01-17 to 12-31-17
President of the Board	Pat Goodwin	01-01-13 to 12-31-14
	Ann Margaret O'Hara	01-01-15 to 12-31-16
	Mary Lou Dolan	01-01-16 to 12-31-17

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Thralls Station 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, 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, 2017.


Crowe LLP

Indianapolis, Indiana
December 20, 2018

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

FINDING 2018-001: BANK ACCOUNT RECONCILIATION

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, these are not subject to review by the Board.

During testing, we noted that the 2016 Debt Service Reserve Fund and the Bond and Interest Fund were overstated by \$5,424 and \$14,544, respectively. This was a result of the funds being reconciled to the November 2016 statements erroneously during a transition between accountants. An entry which would decrease cash and increase other disbursements by \$19,967 was waived by management in 2016 as the error was corrected in 2017 Annual Financial Report.

FINDING 2018-002: TRANSFER ACTIVITY

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 2017 transfer activity did not net to \$0. Per inquiry with management, it was noted that the difference is the result of fund balances and cash not reconciling at December 31, 2016. The Bond and Interest Fund was overstated by \$14,489.23 and the Debt Service Fund was overstated by \$5,423.97. Management identified this error and consulted with the SBOA, who recommended that management ensure that fund balances reconciled at December 31, 2017 by catching up via activity in 2017.

FINDING 2018-003: 2013 ANNUAL FINANCIAL REPORT

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 the opening balance of cash as of January 1, 2013, we noted management was unable to provide bank reconciliations to tie out beginning cash. Management was only able to bank statements from December 2012 and could not confirm beginning cash as of January 1, 2013. From these statements, we noted that beginning cash was likely understated by \$12,489. An entry to adjust this was waived.

Additionally, management was unable to reconcile total disbursements reported on the 2013 bank statements to the 2013 Annual Financial Report. We noted that total disbursements per the bank statements exceeded the Annual Financial Report by \$29,105. An entry to adjust this was waived.

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

FINDING 2018-004: RETENTION OF RECORDS

Criteria: Indiana Code 5-15-6-3 states, "No financial records or records relating to financial records shall be destroyed until the earlier of the following actions: (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied. (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Condition: During testing of disbursements, management noted they had not retained check and invoice support for the 2013 disbursements selections. Alternative procedures were performed on monthly bank statements in order to gain assurance over 2013 disbursements.

Additionally, during testing of disbursements, we noted 5 instances, in a sample of 32, from the time period 2014-2017, in which management had not retained proof that the disbursement had been approved by the Unit's Board.

FINDING 2018-005: 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 have formal documentation regarding the implementation of the minimum level of internal control.

THRALLS STATION REGIONAL SEWER DISTRICT
EXIT CONFERENCE
January 1, 2013 to December 31, 2017

The contents of this report were discussed on December 20, 2018, with Sister Mary Lou Dolan, Board President, and Lynn Holloman, External Accountant. The officials acknowledged the findings.