

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

ROMNEY REGIONAL SEWER DISTRICT

TIPPECANOE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
01/23/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|--------------------|----------------------|
| Treasurer | Daniel N. Korty | 01-01-18 to 12-31-20 |
| President of the District Board | John R. Basham, II | 01-01-18 to 12-31-20 |



STATE OF INDIANA
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TO: THE OFFICIALS OF THE ROMNEY REGIONAL SEWER
DISTRICT, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the Romney Regional Sewer District (District), for the period from January 1, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement Audit Report of the District, which provides our opinion on the District's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 9, 2020

ROMNEY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were several deficiencies in the internal control system of the District related to financial transactions and reporting. The District had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments

The Treasurer independently completed the monthly bank reconciliements. There were no controls in place, such as an oversight, review, or approval process, to ensure that all accounts were reconciled. The sewer construction accounts held at Bank of New York were not reconciled by the District.

Receipts

The Administrative Assistant accepted the customer payments, posted receipts to the ledger, and made the deposits at the bank. There were no controls in place, such as an oversight, review, or approval process.

Disbursements

Vendor - The Treasurer processed the vendor invoices, signed the checks, and mailed the checks to the vendors. There were no controls in place, such as an oversight, review, or approval process.

Payroll - The Treasurer processed payroll, posted payroll, and issued the payroll checks. There were no controls in place, such as an oversight, review, or approval process.

Financial Reporting

An outside consultant compiled and submitted the financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statement. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy prior to submission.

Funds related to Bank of New York accounts, which accounted for the sewer construction project, were not included on the District's ledger, Annual Financial Report, or financial statement. This resulted in an understatement of receipts and disbursements in the amount of \$1,068,408.

Audit adjustments were proposed, approved by the District, and made to the financial statement.

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:

ROMNEY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

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](#)."

COMPENSATION AND BENEFITS

Condition and Context

The District Board had not approved a salary ordinance for 2018. Time cards were not maintained for the audit period.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

ROMNEY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CONSUMER LEDGER

Condition and Context

The District did not maintain individual consumer ledger accounts for each customer on Form 324 - Consumer's Ledger - Municipal Wastewater Utility or an alternate approved form.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

The District had not prepared Accounts Payable Vouchers for each of their invoices. Invoices were not presented to the District Board for approval. In addition, 3 of the 16 disbursements tested did not include supporting documentation.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ROMNEY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

The same comment also appeared in the prior Report B54181.

Condition and Context

The District's Annual Financial Report for 2018 was not filed electronically until March 28, 2019, which was 27 days past the due date.

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](#)."

CERTIFIED REPORT FILED AFTER DUE DATE

The same comment also appeared in the prior Report B54181.

Condition and Context

The District's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2018 was not filed electronically until March 27, 2019, which was 55 days past the due date.

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](#)."

ADOPTION OF INTERNAL CONTROL STANDARDS

The same comment also appeared in the prior Report B54181.

Condition and Context

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

ROMNEY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in the prior Report B54181.

Condition and Context

The District employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the District, had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ROMNEY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2020, with John R. Basham, II, President of the District Board; Daniel N. Kory, Treasurer; and Samantha Laffoon, Administrative Clerk.