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B54402

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January 31, 2020

Board of Trustees  
Freelandville Regional Sewer District  
7 Highway 149S, Freelandville Comm. Ctr.  
Freelandville, IN 47535

This report is supplemental to the audit report of the Freelandville 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 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/](http://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 Freelandville Regional Sewer District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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. 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  
FREELANDVILLE REGIONAL SEWER DISTRICT**

Knox County, Indiana  
January 1, 2018 to December 31, 2018

FREELANDVILLE REGIONAL SEWER DISTRICT

Knox County, Indiana  
January 1, 2018 to December 31, 2018

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FREELANDVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF OFFICIALS  
January 1, 2018 to December 31, 2018

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vaugh Hislip	01-01-18 to 12-31-18
Chairman of the Board	James Streeter	01-01-18 to 12-31-18

## INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined Freelandville 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, 2018 to December 31, 2018. 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, 2018 to December 31, 2018, as described in items 2018-001 through 2018-006 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, 2018 to December 31, 2018.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
December 18, 2019

FREELANDVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2018 to December 31, 2018

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**FINDING 2018-001: BANK ACCOUNT RECONCILIATION REVIEW**

**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 prepared bank reconciliations on a monthly basis. However, we noted there was no formal, documented review of these reconciliations. We noted that this is a repeat finding in report B52258.

**FINDING 2018-002: CONDITION OF RECORDS**

**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 did not record \$124,290 worth of personal services disbursements recorded on the check register in the general fund on the AFR. An entry was posted to correct this error.

**FINDING 2018-003: INTERNAL CONTROLS- SEFA**

**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."*

**Condition:** During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit did not have any policies or formally review the preparation of the Schedule of Federal Expenditures.

**FINDING 2018-004: INTERNAL CONTROL TRAINING**

**Criteria:** Indiana Code 5-11-1-27(h) states in part, "After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . . (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

**Condition:** During testing, we noted that the Unit had not met the minimum standards for training set in Indiana Code 5-11-1-27(h). We noted that this is a repeat finding in report B52258.

FREELANDVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2018 to December 31, 2018

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**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 the Unit had no formal documentation regarding the implementation of internal controls. We noted that this is a repeat finding in report B52258.

**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:** Crowe noted management had not approved a materiality threshold during the year under audit. We noted that this is a repeat finding in report B52258.

FREELANDVILLE REGIONAL SEWER DISTRICT  
EXIT CONFERENCE  
January 1, 2018 to December 31, 2018

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The contents of this report were discussed on December 18, 2019, with Ada Sandusky, Office Manager, and Vaughn Hislip, Treasurer. The officials acknowledged the findings.



## Freelandville Regional Sewer District

Serving Freelandville with waste water treatment

“This institution is an equal opportunity provider”

### Finding 2018-001 Bank Account Reconciliation

FRSD will include the monthly bank account reconciliation in the board packet and have the board formally document in the minutes that they have reviewed it. One board member will review the reconciliation before the meeting each month.

### Finding 2018-002 Condition of Records

FRSD will reconcile the check register to the amounts recorded as disbursed on the AFR each year before the AFR is submitted.

### Finding 2018-003 Internal Controls – SEFA

FRSD will have one board member review the SEFA each before it is submitted on the AFR to ensure all information included is complete and accurate.

### Finding 2018-004 Internal Controls- Training

FRSD will seek the required trainings and certify that they have completed them.

### Finding 2018-005 Minimum Level of Controls

FRSD will adopt a formal policy describing how they have implemented the internal controls as required by the SBOA.

### Finding 2018-006 Materiality Threshold

FRSD will adopt a formal materiality

Thanks,

Ada Mae Sandusky, Office Manager