

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ADAMS COUNTY REGIONAL SEWER DISTRICT

ADAMS COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
02/18/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Barry Scherer	01-01-18 to 12-31-20
Treasurer	Nathan Rumschlag	01-01-18 to 12-31-20
President of the District Board	Shannon Smitley	01-01-18 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ADAMS COUNTY REGIONAL
SEWER DISTRICT, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the Adams County Regional Sewer District (District), for the period from January 1, 2018 to December 31, 2019. 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

February 13, 2020

ADAMS COUNTY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Training on internal control standards and procedures had not been provided to all District personnel.

Criteria

Indiana 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The fiscal officer answered "Yes" to the Certification on Internal Control Standards on the Indiana Gateway for Government Units financial reporting system; however, the District had not provided the training to the required personnel.

Context

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](#)."

INTERNAL CONTROLS OVER RECEIPTS AND FINANCIAL CLOSE AND REPORTING

Condition and Context

The District did not separate incompatible activities related to receipts and financial close and reporting. The failure to establish these controls could have enabled material misstatements or irregularities to occur and remain undetected.

ADAMS COUNTY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts

The District hired a CPA Firm (Firm) as an accounting consultant to collect, deposit, and record sewer fee charges and other types of receipts. There was no segregation of duties over receipts because the same individual at the Firm collected the receipts, made deposits, and recorded the receipts in the ledger. Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement.

Financial Close and Reporting

The Annual Financial Reports (AFR) were prepared through the Indiana Gateway for Government Units (Gateway) financial reporting system and uploaded by the Firm. The AFRs generated by the Firm and used to complete the Districts financial statement, were not approved by the District's Board. Additionally, there was nothing documented in the Board minutes to indicate the District Board approved the financial reports used to complete the AFRs.

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. . . ."

ADAMS COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2020, with Barry Scherer, Superintendent; Steve Bailey, Board member; John Carroll, Board member; Rebecca Cochran, CPA, Accounting Consultant; Brook Hindenlang, Paralegal; and Mark Burry, Attorney.