

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
POSEY COUNTY REGIONAL SEWER DISTRICT  
POSEY COUNTY, INDIANA  
January 1, 2017 to December 31, 2018



**FILED**  
04/09/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donald G. Mattingly Jake Tucker Cheryl Reich	01-01-17 to 12-31-17 01-01-18 to 09-30-19 10-01-19 to 12-31-20
President of the District Board	Dwayne Ackerman D.C. Aaron Wilson	01-01-17 to 12-31-17 01-01-18 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Posey County Regional Sewer District (District), for the period from January 1, 2017 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 opinions on the District's financial statement. This report may be found at [www.in.gov/sboa/](http://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

March 25, 2020

POSEY COUNTY REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Annual Financial Reports (AFR) are due to be filed electronically with the Indiana State Board of Accounts no later than March 1 of each year. The AFRs for 2017 and 2018 were not filed electronically until April 15, 2019, which was 411 and 43 days, respectively, 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](#)."

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the District related to financial transactions and reporting. The failure to properly implement these controls could have enabled material misstatements to occur and remain undetected.

There was a deficiency in the District's internal control system over the preparation and submission of the District's Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system. The Treasurer entered the financial information for the District's AFR into Gateway. It was then presented to the District Board for review; however, evidence was not presented for audit to document the review performed by the District Board.

*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:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

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

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes. . . .

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. . . ."

## **ADOPTION OF INTERNAL CONTROL STANDARDS**

### *Condition and Context*

Documentation was not provided to show that the District had adopted the acceptable minimum level of internal control standards as defined 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:

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

## **TRAINING ON INTERNAL CONTROL STANDARDS**

### *Condition and Context*

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

POSEY COUNTY 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: . . .

- (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 District certified on the Annual Financial Report that it had adopted the minimum internal control standards and that all personnel, as defined by Indiana Code 5-11-1-27(c), had received training concerning the internal control standards adopted by the District; however, documentation that the District had adopted the minimum internal control standards and that all personnel received training concerning the internal control standards was not provided.

*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](#)."

POSEY COUNTY REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2020, with Cheryl Reich, Treasurer; Dennis Schaffer, District Board member; and Aaron Wilson, President of the District Board.