

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

COMPLIANCE REPORT

OF

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT

MONTGOMERY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
05/04/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Co-Treasurer	Brad Monts	01-01-18 to 12-31-20
Co-Treasurer	Lori Dossett	01-01-18 to 12-31-20
President of the District Board	Phil Bane	01-01-18 to 04-15-19
	(Vacant)	04-16-19 to 06-23-19
	Dan Guard	06-24-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Montgomery County Regional Sewer District (District), Montgomery County, for the period of January 1, 2018 to December 31, 2018, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance 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.

The Schedule of Cash and Investment Balances, as listed in the Table of Contents, is presented as other information. It has not been subjected to any auditing procedures and, accordingly, we do not express an opinion or provide any assurance on it.

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

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

April 23, 2020

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OTHER INFORMATION - UNAUDITED

The District's Annual Financial Report information can be found on the Indiana Gateway for Government Units (Gateway) website: <https://gateway.ifionline.org/>. The schedule presented herein is presented as other information and is derived from the District's Annual Financial Report information and has not been subjected to any audit procedures. No adjustments have been made to the information as reported in Gateway and, as such, balances may differ.

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF CASH AND INVESTMENT
 BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 12-31-18
MCRSD	\$ 208,504
Total	\$ 208,504

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT
RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The District presented monthly bank reconciliations for the period; however, all reconciliations were found not to be proper, as the bank balances were not reconciled to the fund ledger balance.

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 OF RECORDS

Condition and Context

The District did not present appropriate supporting documentation for a proper reconciliation of the year-end cash balance to the year-end financial statement balance.

Criteria

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation was not presented for audit to support that personnel received training over internal control standards.

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."

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT
RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District's certification on internal control standards was not made correctly as the certification asserts that training on internal control standards was received by personnel; however, no documentation was made available for audit to support this.

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](#)."

MATERIALITY THRESHOLD

The same comment appeared in prior Report B52214.

Condition and Context

Management of the District had not approved a materiality threshold.

Criteria

State Examiner Directive 2015-6 states in part:

". . . In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. For example, a \$500 variance in Fort Wayne is not necessarily as concerning as a \$500 variance in Pershing Township, Jackson County. On the other hand, a \$100 variance in Fort Wayne that occurs every Friday may be material. Moreover, each political subdivision is the best determiner of the qualitative and quantitative factors unique to the unit in arriving at materiality.

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, it is imperative that the political subdivision have a policy in place that outlines the steps to be taken. Such a policy must include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

The policy must be detailed, and it is essential that materiality thresholds distinguish between incidents involving cash and other types of assets. The policy needs to address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT
RESULTS AND COMMENTS
(Continued)

The policy must also consider Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney. There is *no* materiality threshold applicable to Ind. Code § 5-11-1-27(l). Thus, whenever a political subdivision has actual knowledge or is reasonably certain that a misappropriation of public funds has occurred (regardless of the dollar amount), the political subdivision must send written notice of the misappropriation to the State Board of Accounts and the local prosecuting attorney. Misappropriation occurs when an employee or in-house contractor of the political subdivision wrongly takes or embezzles public funds. When there is a known misappropriation or embezzlement of public funds by an internal actor, materiality is irrelevant. Indiana law requires the political subdivision to report the activity to the State Board of Accounts and the local prosecutor. Ind. Code § 5-11-1-27(l).

If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision is required to report all irregular variances, losses, shortages, and thefts to the State Board of Accounts. . . ."

MONTGOMERY COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2020, with Lori Dossett, Co-Treasurer; Brad Monts, Co-Treasurer; and Dan Guard, President of the District Board.