

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT

NEWTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
09/29/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherrri Rainford	01-01-19 to 12-31-20
President of the District Board	Randy Decker	01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEWTON COUNTY REGIONAL WATER  
AND SEWER DISTRICT, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the Newton County Regional Water and Sewer District (District), for the period from January 1, 2019 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 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

September 22, 2020

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSETS**

*Condition and Context*

The District did not have a capital asset policy that detailed the threshold at which items are considered a capital asset. The District did not keep a complete detailed listing of all capital assets owned that reflects their acquisition value. In addition, the District had not performed a physical inventory within the last two years.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**FINANCIAL TRANSACTIONS AND REPORTING**

*Repeat Finding*

A similar comment appeared in prior Report B54389, entitled *FINDING 2018-002* and *FINDING 2018-003*.

*Condition and Context*

There was a deficiency in the internal control system of the District related to certain areas of financial transactions and reporting.

*Cash and Investments*

The District did not have any controls in place to ensure cash and investments were properly reconciled to the District's bank accounts. The District was properly completing all bank reconciliations; however, there was no evidence of another employee reviewing or approving the reconciliations.

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Receipts*

The District had not designed or implemented proper segregation of duties related to receipts. There was no formal review of receipts being posted or deposited. One employee issued and recorded receipts without evidence of an oversight or approval process to ensure the accuracy and classification of the receipts to the proper fund and account.

*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. . . ."

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with Sherri Rainford, Treasurer, and Randy Decker, President of the District Board.