

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, 2019 to December 31, 2019



FILED
12/15/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jake Tucker Cheryl Reich	01-01-19 to 09-30-19 10-01-19 to 12-31-20
President of the District Board	Aaron Wilson	01-01-19 to 12-31-20



STATE OF INDIANA
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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, 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/.

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

December 10, 2020

POSEY COUNTY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54860.

Condition and Context

The Treasurer incorrectly certified in the 2019 Annual Financial Report that the required internal control standards had been adopted. However, the District had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g).

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](#)."

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54860.

Condition and Context

The District Board did not adopt the acceptable minimum level of internal controls as required by statute. The District Board also did not provide the required training on internal control standards to appropriate personnel.

Criteria

Indiana Code 5-11-1-27(g) states:

"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; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54860, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the District related to cash and investments, receipts, and financial transactions and reporting. The District had not established an effective internal control system that separated incompatible activities related to these areas. The failure to implement these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Treasurer received all deposits and made the bank deposits, posted to the funds ledger and prepared the monthly reconcilements of the bank balances to the funds ledger. No evidence was presented for audit to document the review and approval of the reconcilements by someone other than the preparer.

Receipts

The Treasurer was solely responsible for all aspects of receipting with no internal controls in place, such as an oversight, review, or approval process.

Financial Close and Reporting

The Treasurer entered and submitted financial information for the District into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statements. There was no evidence of an internal control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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. . . ."

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

ERRORS ON CLAIMS

Condition and Context

The District did not prepare claim vouchers or claim registers during the audit period. As a result, there was no evidence of certification by the fiscal officer for any disbursement, and there was no allowance by the legislative body for some disbursements. In most instances, the allowance by the legislative body was noted in the minutes of the meetings of the District Board. Also, there was no evidence on the invoice of approval of the person receiving the goods or services.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

RECEIPT ISSUANCE

Condition and Context

No receipts were issued by the District during the audit period.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

POSEY COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2020, with Cheryl Reich, Treasurer, and Rodney Cox, District Board member.