

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

L & M REGIONAL WATER DISTRICT

RANDOLPH COUNTY, INDIANA

January 1, 2018 to December 31, 2020



FILED
11/05/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Hale	01-01-18 to 12-31-21
President of the District Board	Brian Hill (Vacant)	01-01-18 to 08-31-21 09-01-21 to 12-31-21



STATE OF INDIANA
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TO: THE OFFICIALS OF THE L & M REGIONAL WATER DISTRICT, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the L & M Regional Water District (District), for the period from January 1, 2018 to December 31, 2020. 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 Statements Audit Report of the District, which provides our opinions on the District's financial statements. 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

September 29, 2021

L & M REGIONAL WATER DISTRICT
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District's certification on internal control standards made on the Indiana Gateway for Government Units financial reporting system was not made correctly for 2018, 2019, and 2020. The certification asserts that training on internal control standards was received by all applicable personnel; however, it was determined that personnel had not received this training.

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

District personnel were unaware that internal control training was available, and, therefore, applicable personnel had not received training over internal control standards.

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."

INTERNAL CONTROLS

Condition and Context

The District had not separated incompatible activities related to financial close and reporting. The Treasurer prepared and uploaded the annual reports into the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statements, without oversight or review of the data submitted. The failure to establish these internal controls could have enabled material misstatements to remain undetected.

L & M REGIONAL WATER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

CAPITAL ASSETS

Condition and Context

The District had not adopted a capital asset policy that detailed the threshold at which an item is considered a capital asset. In addition, the District did not complete a physical inventory at least every two years and did not have a complete detailed listing of all capital assets owned which reflect the acquisition value.

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 State of Indiana, Chapter 1)

L & M REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2021, with Mary Hale, Treasurer, and Carol Weaver, District Board member.