

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

TIPPECANOE AND CHAPMAN LAKES
REGIONAL SEWER DISTRICT
KOSCIUSKO COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
02/11/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kim Hathaway	01-01-20 to 12-31-22
President of the District Board	Jon Tyler	01-01-20 to 12-31-22



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TIPPECANOE AND CHAPMAN LAKES REGIONAL
SEWER DISTRICT, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Tippecanoe and Chapman Lakes Regional Sewer District (District), for the period from January 1, 2020 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 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

January 31, 2022

TIPPECANOE AND CHAPMAN LAKES REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal controls of the Tippecanoe and Chapman Lakes Regional Sewer District (District) related to cash and investments, and receipts. The District had not established an effective internal control system that separated incompatible activities related those areas. Failure to implement these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

Bank reconcilements for the District are completed by an outside accounting firm. During the audit period, there was no documented review of these reconcilements by the District.

Receipts

Receipts for the District are recorded in a cash journal by an outside accounting firm. During the audit period, there was no documented review of these entries by the District.

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. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Officials of the District had not completed training over the adopted internal control standards as required by Indiana Code 5-11-1-27(g).

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."



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February 8, 2022

OFFICIAL RESPONSE TO THE 2020 SUPPLEMENTAL COMPLIANCE REPORT

Paul D. Joyce, CPA
State Examiner
State Board of Accounts
302 West Washington St., Room E418
Indianapolis, IN 46204-2738

Dear Mr. Paul D. Joyce,

Tippecanoe and Chapman Lakes Regional Sewer District (the “District”) responds to the comments contained in the 2020 State Board of Accounts Supplemental Compliance Report as follows:

The Audit Results report upon the District’s compliance with applicable Indiana laws for the period of January 1, 2020 to December 31, 2020. In early 2021, the Board of Trustees of the District (the “Board”) identified an instance of noncompliance regarding its lack of a written internal control policy. Prior to the transmission of this 2020 Supplemental Compliance Report, the Board took corrective action by adopting its Internal Controls Policy and Materiality Policy pursuant to Resolution 2021-3-3 dated March, 3, 2021. The Board’s policy firmly commits the District to the internal control standards prescribed by the Indiana State Board of Accounts, as published in the *Uniform Internal Control Standards for Indiana Political Subdivisions* manual dated September 2015 (“Standards”).

Internal Controls relating to Cash & Investments

This deficiency has been remediated by the adoption of the District’s Internal Controls Policy and Materiality Policy. The Board will review and document its review of all bank reconcilements completed by its outside accounting firm.

Internal Controls relating to Receipts

This deficiency has been remediated by the adoption of the District’s Internal Controls Policy and Materiality Policy. The Board will review and document its review of the cash journal for receipts recorded by its outside accounting firm.

Training on Internal Controls Standards

The District has implemented the required training in accordance with the Standards and the District’s Internal Controls Policy.

Submitted by,

Andrew D. Boxberger, Legal Counsel

TIPPECANOE AND CHAPMAN LAKES REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2022, with Kim Hathaway, Treasurer; Yvonne Milligan, Accountant; and Jeffrey P. Rowe, Accountant.