

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ROCKFIELD REGIONAL SEWER DISTRICT

CARROLL COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
04/08/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Dishon Neda Duff	01-01-17 to 08-01-18 08-02-18 to 12-31-22
President of the District Board	Steve Goodrich Randle Myers	01-01-17 to 03-12-18 03-13-18 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ROCKFIELD REGIONAL
SEWER DISTRICT, CARROLL COUNTY, INDIANA

This report is supplemental to our audit report of the Rockfield Regional Sewer District (District), for the period from January 1, 2017 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.

A handwritten signature in blue ink that reads 'Beth Kelley'.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 31, 2022

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The Operation And Maintenance fund had an overdrawn cash and investments balance of \$2,594 and \$8,107 at December 31, 2017, and December 31, 2018, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

COMPENSATION AND BENEFITS

Condition and Context

The District did not approve a salary ordinance during the audit period. Officials and one hourly employee were paid without documentation to support their rates of pay. Timecards were not maintained for the one hourly employee.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CONDITION OF RECORDS

A similar comment appeared in prior Report B49468, entitled *FINANCIAL RECORDKEEPING/ CONDITION OF RECORDS*.

Condition and Context

The District did not maintain its financial records using the prescribed Simplified Cash Journal - Municipal Sewage Utility (Form 323), which facilitates the accounting for the cash and investment balances, receipts, and disbursements segregated by fund. The District's financial records for the years 2017, 2018, 2019, and 2020, consisted of a simplified computer spreadsheet. The financial transactions recorded on the computerized spreadsheets were not properly segregated by fund. For 2017 and 2018, receipts and disbursements reported on the financial statements could not be traced to the computerized spreadsheet.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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 District, Chapter 1)

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The District failed to adopt the acceptable minimum level of internal control standards as required by Indiana Code 5-11-1-27(g) and did not provided training on internal control standards to employees.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District certified on the Indiana Gateway for Government Units financial reporting system that the District adopted and trained on internal control standards in 2017 and 2018. The District had not adopted internal controls or provided the required training.

Criteria

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](#)."

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District did not have a capital assets policy that detailed the threshold at which an item is considered a capital asset. The District did not have a complete detailed listing of all capital assets owned which reflected their acquisition value. A complete physical inventory had not been taken, at least every two years, during the audit period.

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)

TIMELY RECORDING

Condition and Context

The financial statement for 2017 included a transfer in the amount of \$28,412 from the Improvement Fund to the Operation And Maintenance fund; the transfer was not recorded in the ledger.

The Rural Development Loan debt payments for 2017 and 2018 did not include specific dates on the ledger for when the payments were posted.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

LATE SUBMISSION OF FORM 100R

Condition and Context

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees, (Form 100R) was submitted late in the Indiana Gateway for Government Units financial reporting system for three of the four years of the audit period. The 2017 Form 100R had not been submitted as of March 31, 2022. The 2018 Form 100R was submitted March 28, 2019, which was 56 days late. The 2020 Form 100R was submitted February 23, 2021, which was 23 days late.

Criteria

A district shall file a personnel report, as required by IC 5-11-13, in the office of the State Examiner during the month of January of each year. The report must be filed electronically in the manner prescribed under IC 5-14-3.8-7. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The District had not properly designed and implemented internal controls over financial reporting. The Treasurer input the Annual Financial Report (AFR), which is the source of the financial statements, to the Indiana Gateway for Government Units (Gateway) financial reporting system without oversight or review.

In addition, the District's AFR for 2017 and 2018 were not uploaded to Gateway until May 5, 2018, and April 1, 2019, respectively, which was 84 and 31 days, respectively, past the due date.

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. . . ."

ROCKFIELD REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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"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](#)."

RECEIPTS

Condition and Context

The District had not properly designed and implemented internal controls over receipts. The District Board approved the Treasurer's Report, which included the spreadsheet detailing monthly receipts; however, the Treasurer recorded customer payments and deposited receipts without oversight or review.

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:

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ROCKFIELD REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2022, with Neda Duff, Treasurer, and Randle Myers, President of the District Board.