

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WELLS COUNTY REGIONAL SEWER DISTRICT
WELLS COUNTY, INDIANA
January 1, 2018 to December 31, 2021



FILED
06/21/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Leon Berning	01-01-18 to 12-31-22
President of the District Board	Michael Mossberg	01-01-18 to 12-31-22
Superintendent of the District	(Vacant) Lewis Brown	01-01-18 to 05-13-21 05-14-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WELLS COUNTY REGIONAL
SEWER DISTRICT, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Wells County Regional Sewer District (District), for the period from January 1, 2018 to December 31, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 25, 2022

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TREASURER
WELLS COUNTY REGIONAL SEWER DISTRICT

TREASURER
WELLS COUNTY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the District related to financial close and reporting. The District hired an outside vendor to prepare the Annual Financial Reports (AFR) to be submitted to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. The President of the District Board reviewed the AFRs and then submitted them to Gateway. Although the District had a control in place, it did not function as intended, and the financial information submitted contained errors.

Due to the lack of an effective internal controls, the AFRs, financial statements, and supplementary schedules contained the following errors:

- General fund receipts and disbursements were understated \$5,500 for 2020.
- General fund receipts and disbursements were understated by \$100,000 for 2021.
- The ending principal balance was understated by \$33,305, and the principal and interest due within one year was understated by \$25,629 on the Schedule of Leases and Debt at December 31, 2021.
- The Schedule of Capital Assets was overstated by \$573,430 at December 31, 2021.
- Accounts payable and accounts receivable were understated by \$743,793 and \$6,799, respectively, on the Schedule of Payables and Receivables at December 31, 2021.

Audit adjustments were proposed, accepted by the District, and made to the AFRs and financial statements.

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. . . .

TREASURER
WELLS COUNTY REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Evidence was not available for audit that the District was performing timely reconciliations of the balance of public funds (bank reconciliations) at least monthly until May 2021. We were also unable to observe management's review of the reconciliations performed.

Criteria

Indiana Code 5-13-6-1(e) states "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District incorrectly certified on the Indiana Gateway for Government Units financial reporting system that training over internal control standards was provided to all applicable employees; however, the District did not provide the training during the audit period.

Criteria

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

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

TREASURER
WELLS COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2022, with Michael Mossburg, President of the District Board, and Leon Berning, Treasurer.

DISTRICT BOARD
WELLS COUNTY REGIONAL SEWER DISTRICT

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AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The District did not provide training on internal control standards to new employees during the audit period.

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."

DISTRICT BOARD
WELLS COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2022, with Michael Mossburg, President of the District Board, and Leon Berning, Treasurer.