

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
THRALLS STATION REGIONAL SEWER DISTRICT
VIGO COUNTY, INDIANA
January 1, 2020 to December 31, 2021



FILED
10/24/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sister Kathleen Leonard	01-01-20 to 12-31-22
President of the District Board	Sister Denise Wilkinson	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE THRALLS STATION REGIONAL
SEWER DISTRICT, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Thralls Station Regional Sewer District (District), for the period from January 1, 2020 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 5, 2022

THRALLS STATION REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

DELINQUENT SEWAGE ACCOUNTS

Condition and Context

The District did not charge penalties for delinquent sewage accounts for the audit period.

Criteria

Indiana Code 36-9-23-31 states in part: "If fees assessed against real property . . . are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. . . ."

Indiana Code 36-9-23-33(c) states in part: "Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. . . ."

INTERNAL CONTROLS

A similar comment also appeared in prior Report B56082 entitled, *INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the District related to financial transactions and reporting. The District had not established an effective internal control system that separated incompatible activities related to cash and investments and financial close and reporting.

Cash and Investments

Monthly reconciliations were performed on the Bond and Interest account; however, there was no evidence of an internal control in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process.

Financial Close and Reporting

The District had not established an effective system of internal control over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statement. There was no evidence of an internal control such as an oversight, review, or approval process.

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:

THRALLS STATION REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B56082.

Condition and Context

The District's Annual Financial Report for 2020 was not filed electronically until March 31, 2021, which was 30 days past the due date.

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](#)."

LATE SUBMISSION OF CERTIFIED REPORT

The same comment also appeared in prior Report B56082.

Condition and Context

The District's Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2020 and 2021 were not filed electronically until March 25, 2021, and February 25, 2022, which was 52 and 25 days past the due date, respectively.

Criteria

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . 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 each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

THRALLS STATION REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District did not conduct a physical inventory or maintain a detailed record of capital assets. In addition, a capital asset policy was not presented for audit.

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the District, had not received training over the internal control standards.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District incorrectly certified on the Indiana Gateway for Government Units financial reporting system that required personnel had received training regarding the internal control standards.

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](#)."

THRALLS STATION REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2022, with Sister Kathleen Leonard, Treasurer, and Shawn Coffman, Accountant.