



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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March 17, 2023

TO: THE OFFICIALS OF THE GNAW BONE REGIONAL  
SEWER DISTRICT, BROWN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Gnow Bone Regional Sewer District (District), Brown County, for the period of January 1, 2018 to December 31, 2021, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The District's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

**Comments**

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The District's financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statements. Receipt activity for 2018, 2019, and 2020 and disbursement activity for 2019 and 2020 did not agree to its financial ledger causing ending balances to be incorrect. The following variances were identified:

Fund	Cash and Investments 01-01-18			Cash and Investments 12-31-18			Cash and Investments 12-31-19		
		Receipts	Disbursements		Receipts	Disbursements		Receipts	Disbursements
General Fund-Gateway	\$ 222,431	\$ 115,067	\$ 118,666	\$ 218,832	\$ 95,173	\$ 156,311	\$ 157,694		
General Fund-Ledger	222,431	140,503	118,666	244,268	157,027	229,107	172,188		
Difference	\$ -	\$ (25,436)	\$ -	\$ (25,436)	\$ (61,854)	\$ (72,796)	\$ (14,494)		

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-20	Receipts	Disbursements	12-31-20	Receipts	Disbursements	12-31-21
General Fund-Gateway	\$ 157,694	\$ 343,137	\$ 293,973	\$ 206,858	\$ 131,891	\$ 149,416	\$ 189,333
General Fund-Ledger	172,188	210,172	294,463	87,897	131,891	149,416	70,372
Difference	<u>\$ (14,494)</u>	<u>\$ 132,965</u>	<u>\$ (490)</u>	<u>\$ 118,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,961</u>

*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](#)."

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

No ordinance was presented to support the charges of sewer fees (fee per usage) prior to October 2019.

No payroll ordinance was presented to support the payments for payroll for 2018, 2019, 2020, or 2021.

*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 District's, Chapter 1.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**LATE SUBMISSION OF ANNUAL FINANCIAL REPORT**

*Condition and Context*

The District's Annual Financial Report for 2019 was not filed electronically until June 15, 2020, which was 106 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](#)."

## **BANK ACCOUNT RECONCILIATIONS**

A similar comment also appeared in prior Report B51881, entitled *BANK ACCOUNT RECONCILIATION REVIEW*.

### *Condition and Context*

Depository reconciliations of the District's fund balance to its bank account balances did not reconcile for three of the five months tested.

### *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."

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The District did not comply with the State Examiner Directive and failed to upload all the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2018, 2019, 2020, and 2021.

### *Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

## **BOARD MINUTES MISSING**

### *Condition and Context*

Board minutes were not uploaded for 2018 and August through December of 2021.

### *Criteria*

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
  - (2) The members of the governing body recorded as either present or absent.
  - (3) The general substance of all matters proposed, discussed, or decided.
  - (4) A record of all votes taken, by individual members if there is a roll call.
  - (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

### ***ADOPTION OF, AND TRAINING AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS***

A similar comment also appeared in prior Report B51881, entitled *MINIMUM LEVEL OF INTERNAL CONTROLS*.

#### *Condition and Context*

The District certified that it had adopted internal control standards and performed the proper training over the standards as required by Indiana Code 5-11-1-27; however, the policy and documentation of the training were not provided for review.

#### *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."

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

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

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Schedule of Cash and Investment Balances - Regulatory Basis, is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
As of December 31, 2021

Fund	Cash and Investments 12-31-21
General Fund	<u>\$ 70,372</u>

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Dave Hess, President of the District Board; Carlos Lopez, Treasurer; Beth Stover, Bookkeeper; John Young, Attorney; and Donna Lutes, on January 31, 2023.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner