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

Paul D. Joyce, CPA
State Examiner

COMPLIANCE ENGAGEMENT REPORT

OF

JENNINGS NORTHWEST REGIONAL UTILITIES DISTRICT

JENNINGS COUNTY, INDIANA

January 1, 2018 to December 31, 2022

FILED
07/03/2025

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Brian Rooney	01-01-18 to 01-27-22
	(Vacant)	01-28-22 to 02-15-22
	Michael Gerth	02-16-22 to 12-31-25
Financial Controller/Utility Manager	Dan B. Wooton	01-01-18 to 05-05-22
	(Vacant)	05-06-22 to 10-11-25
Utility Manager	Andrew Kleschtt	10-12-22 to 12-31-25
President of the District Board	Edwin Whitaker	01-01-18 to 01-27-22
	(Vacant)	01-28-22 to 02-15-22
	Brian Hatfield	02-16-22 to 12-31-25

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TO: THE OFFICIALS OF THE JENNINGS NORTHWEST REGIONAL
UTILITIES DISTRICT, JENNINGS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Jennings Northwest Regional Utilities District (District), for the period of January 1, 2018 to December 31, 2022. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard-setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the comments incorporated within this report was not verified for accuracy.

The Schedule of Officials is informational only. The Statement of Receipts, Disbursements, and Schedule of Cash and Investment Balances - Regulatory Basis have not been included in this report due to the issues detailed in the comments below.

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. Reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: http://www.gateway.ifionline.org.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

June 4, 2025

INTERNAL CONTROLS

A similar comment also appeared in prior Report B52443, entitled *FINDING 2018-001: SEGREGATION OF DUTIES.*

Condition and Context

During testing, we noted that the Office Manager and the Financial Controller performed almost all administrative and accounting functions with limited oversight and review processes in place. The Office Manager prepares all accounts payable vouchers, reviews the receipt slips prepared by the clerks, and deposits the cash at the bank. Additionally, no oversight and review process was in place throughout the engagement period for the Annual Financial Report submission.

Internal control deficiencies were pervasive throughout the engagement period and resulted in noncompliance with laws and regulations. Due to the lack of internal controls, noncompliance was identified over the following areas as detailed further in the comments below:

- Condition of Records
- Bank Account Reconciliations
- Annual Financial Reports
- Timely Payment of Debt
- Questioned Costs - Compensation and Benefits
- Penalties, Interest, and Other Charges on Sales Tax
- Professional Services Contracts
- Proper Fund Use
- Timely Remittance of Payroll Withholdings
- Board Minutes Missing
- Annual Financial Report - Late Filing
- Adoption of Internal Controls
- Training on Internal Controls
- Certification on Internal Control Standards
- 100R Certified Report Filed After Due Date
- Monthly and Annual Uploads
- Capital Assets
- Compensation and Benefits
- Disbursement Deficiencies
- Materiality Threshold
- Official Bond
- Overdrawn Cash Balances

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. . . ."

CONDITION OF RECORDS

A similar comment also appeared in prior Report B52443, entitled *FINDING 2018-002: RECEIPT SUPPORTING DOCUMENTATION.*

Condition and Context

The District did not use the following prescribed forms or any comparable forms during 2018, 2019, 2020, 2021, and 2022.

- Ledger of Receipts, Disbursements and Balances, Form 358
- Receipts Form 352
- Accounts Payable Voucher Register Form 364

The financial activity for most of 2022 was compiled by a financial consultant by abstracting information from the billing software for receipt activity and check registers for disbursement activity. In some instances, disbursements were allocated based on a fixed percentage between water and wastewater. No allocation to individual funds within the water and wastewater utilities was made.

Financial statements are omitted from the report as a result of the condition of records.

Criteria

Indiana Code 13-26-7-1 states: "Each district must keep proper records of the district's finances."

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)

The district is encouraged to use the chart of accounts and accounting system prescribed by the State Board of Accounts for use by municipal utilities as outlined in Chapter 14 of the Accounting and Compliance Guidelines Manual for Special Districts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The District was unable to reconcile the depository account balances to the fund balances monthly from January 2018 through March 2022 due to the nonuse of the Ledger of Receipts, Disbursements and Balances, Form 358, or any comparable forms as discussed in the *Condition of Records* comment above. As such, the District was unable to identify, investigate, and correct any errors that the reconciliations would have identified.

Financial statements are omitted from this report as a result of the lack of bank account reconciliations from January 2018 through March 2022.

Bank reconciliations performed by the Indiana State Board of Accounts personnel for purposes of the engagement for December 31, 2018, 2019, 2020, and 2021, showed the net depository balance was less than the ending fund balances reported in the Annual Financial Report by $959, $12,024, $25,886, and $16,102, respectively.

The District reconciled its bank accounts as of December 31, 2022, to the compilation prepared by its financial consultation with no difference noted.

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."

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 Districts, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ANNUAL FINANCIAL REPORTS

A similar comment also appeared in prior Report B52443, entitled *FINDING 2018-010: 2013-2016 ANNUAL FINANCIAL REPORTS.*

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. This is the source of the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis that are not included in this report, as discussed in the *Condition of Records* and *Bank Account Reconciliation* comments above. Lack of a Ledger of Receipts, Disbursements and Balances, Form 358, or a comparable form resulted in the inability to compare amounts reported in the AFR to District accounting records.

The Indiana State Board of Accounts personnel compared information submitted in the AFRs for 2018, 2019, 2020, 2021, and 2022 to activity reported on bank statements for purposes of the engagement and noted the following errors.

Financial Information

- The 2018 Wastewater Utility fund receipts were understated by $29,951.
- The 2018 Water Operating fund disbursements were overstated by $5,720.
- The 2018 Wastewater Utility fund disbursements were understated by $29,951.
- The 2018 Water Operating fund ending balance was understated by $5,720.
- The 2019 Water Operating fund receipts were overstated by $88,419.
- The 2019 Wastewater Utility fund receipts were understated by $115,055.
- The 2019 Water Operating fund disbursements were overstated by $82,700.
- The 2019 Wastewater Utility fund disbursements were understated by $120,702.
- The 2019 Wastewater Utility fund ending balance was overstated by $5,647.
- The 2020 Wastewater Utility fund beginning balance was understated by $5,647.
- The 2021 Water Operating fund receipts were understated by $65,669.
- The 2021 Wastewater Utility fund receipts were understated by $13,431.
- The 2021 Water Operating fund disbursements were understated by $65,669.
- The 2021 Wastewater Utility fund disbursements were understated by $13,431.

Other items noted during the engagement are detailed below.

Leases and Debt

The District did not report the Water and Wastewater Bonds correctly on the AFR. The ending principal balance was understated by $65,000 and principal due within one year was overstated by $7,220. The District provided no lease information in the AFR. Lease payments were not reported, although a vehicle lease was entered into during the engagement period.

Capital Assets

Capital assets, totaling $4,859,706, were reported in the AFR for each year of the engagement period; however, the District did not perform a physical inventory during the engagement period and no additions or deletions had been recorded since 2005. The District confirmed that timely recording of asset additions and deletions have not been made to the detailed capital asset listing.

Payables and Receivables

For each year of the engagement period, the District was unable to provide supporting documentation to verify payable and receivable amounts reported.

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."

TIMELY PAYMENT OF DEBT

Condition and Context

The District authorized by ordinance the issuance of Waterworks Refunding Revenue Bonds of 2005. The District defaulted on this debt during the engagement period.

During the engagement period approximately $860,000 of principal and interest payments were due, but the District only paid $100,000. As of December 31, 2022, the District was delinquent by approximately $775,000 of principal and interest payments, and the outstanding principal balance as of December 31, 2022, was $665,000.

Criteria

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

QUESTIONED COSTS - COMPENSATION AND BENEFITS

Condition and Context

Simultaneous "Consulting Agreement" payments and W-2 Employee Wages: Questioned Costs

Dan B. Wooton Sr. (Wooton) was a full-time employee of the District in 2016, earning $95,269/annually as "Controller/Manager," per the Indiana Gateway for Government Units (Gateway) financial reporting system. Thereafter, sometime in 2017, Wooton entered into his first "Consulting Agreement" (2017 Agreement) with the District. The Indiana State Board of Accounts (SBOA) requested a copy of the 2017 Agreement from the District but was not provided with the same. Wooton then entered into a second "Consulting Agreement" (2018 Agreement) with the District on or about June 20, 2018. Wooton entered the 2018 Agreement as "President" of "Wooton Enterprises dba DB Wooton & Associates Consulting."

The 2018 Agreement allowed Wooton to continue in his capacity as the Financial Controller/Utilities Manager "but not as an employee" of the District. Pursuant to the terms of the 2018 Agreement, Wooton was paid $144,000/annually at a rate of $12,000/month. The 2018 Agreement provided that Wooton "shall manage operations of the utilities with the assistance of the Certified Operator in responsible charge, supervise staff, hire and fire employees, manage finances, prepare budgets, and respond to the Board of Trustees of JNRU." The 2018 Agreement was signed by Wooton and the President of the District Board. During the period of this examination, the SBOA requested District Board minutes expressly approving the 2018 Agreement but was it not provided. Through communications with Wooton on July 16, 2024, the SBOA was advised that Wooton had no set hours per the 2018 Agreement, his office was offsite, he was responsible for his own purchases, and he came and went as he pleased. The 2018 Agreement had a term of "January 1, 2017 through January 31, 2025" and an expiration date of "December 31, 2028."

After the effective date of the 2018 Agreement, beginning in December 2019, Wooton began receiving W-2 employee wages from the District. Records indicate that Wooton received $320/week for a 40 hour work week. The SBOA requested documentation that the District Board of Trustees expressly approved this additional compensation to Wooton during the same timeframe that he was receiving remuneration under the 2018 Agreement but it was not provided. The SBOA made email inquiry to Wooton regarding the W-2 employee wages. Wooten responded, "the additional compensation was decided by the board in order for me to qualify for medical insurance through the utility . . . I was not required any hours or timesheets by the board or the attorney." The SBOA asked for but was not made aware of any additional tasks Wooton was required to perform, distinct from his obligations under the 2018 Agreement, entitling him to the $320/week of W-2 employee wages and health benefits.

The SBOA requested from the District Board minutes during the timeframe that both the 2018 Agreement and the decision to additionally compensate Wooton with W-2 employee wages and health benefits would have been discussed and approved. The SBOA made requests to both current and former District Board members. The District was unable to provide said documentation to the SBOA.

The District Board minutes are publicly available online, beginning with the February 16, 2022 meeting. Minutes from the July 13, 2022 meeting indicate that Wooton tendered his "voluntary resignation" in May 2022, and that the District Board approved the decision to "stop any and all payments" under the parties' prior agreement.

Under these facts, the SBOA would have expected Wooton to fully complete a Conflict of Interest disclosure form, obtain approval from the District Board, and to submit the same to the SBOA via Gateway. The full requirements for a compliant Conflict of Interest disclosure form are set forth at Indiana Code 35-44.1-1-4(d).

The SBOA considers the W-2 employee wages and health insurance premiums Wooton received during the same timeframe he received payment under the 2018 Agreement to be *Questioned Costs.* During this timeframe, Wooton received $44,159 in W-2 employee wages and $51,358 in health insurance premiums paid on his behalf by the District.

Criteria

Indiana Code 13-26-4-1 states in part: "The board of trustees of a district is the governing body of the district. . . ."

Indiana Code 13-26-7-1 states: "Each district must keep proper records showing the district's finances."

Indiana Code 35-44.1-1-4(b) states in part:

". . . (b) A public servant who knowingly or intentionally:

(1) has a pecuniary interest in; or

(2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony. . . .

(d) A disclosure must:

(1) be in writing;

(2) describe the contract or purchase to be made by the governmental entity;

(3) describe the pecuniary interest that the public servant has in the contract or purchase;

(4) be affirmed under penalty of perjury;

(5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;

(6) be filed within fifteen (15) days after final action on the contract or purchase with:

(A) the state board of accounts; and

(B) if the governmental entity is a governmental entity other than the state or a state supported college or university, the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and

(7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant. . . ."

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)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Conflict of Interest disclosures must be completed on Gateway. The attorney of the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure state must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

When an official assumes custody of an office, many of the forms and records are continuous. Each official's acts are a matter of record. An official is not responsible for the acts of his successor and a successor is not responsible for the acts of his predecessor. Regardless of the capacity served by an official, upon completion of his service, all records and forms are to be immediately delivered to his successor. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES PAID ON SALES TAX

Condition and Context

The District incurred penalties, interest, and other charges for the late payment of sales taxes to the Indiana Department of Revenue in the amount of $23,683. The following is a schedule that shows the year and amounts for the penalties, interest, and other charges incurred by the District:

Year	Penalties	Interest	Other Charges	Total
2018	$ 4,286	$ 2,506	$ 3,548	$ 10,341
2019	1,867	881	374	3,121
2020	4,567	2,339	-	6,906
2021	2,352	593	-	2,946
2022	369	1	-	370
Totals	$ 13,441	$ 6,321	$ 3,922	$ 23,683

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PROFESSIONAL SERVICES CONTRACTS

Condition and Context

The District made disbursements for some professional services and did not provide District Board approved contracts for the services. During disbursement testing, three vendors providing professional services were identified as requiring contracts. The District did not provide contracts pertaining to these vendors for the engagement period. Expenditures for each were made in the following amounts:

- For 2018, 2019, 2020, 2021, and 2022, the District paid Bowman's Yardcare Plus $137,530, $158,311, $141,910, $109,835, and $750, respectively, for lawn care and aquatic spraying services.
- For 2018, 2019, and 2020, the District paid Scan Planit $185,940, $102,510, and $33,166, respectively, for document scanning and shredding.
- For 2020, 2021, and 2022, the District paid Pro Document Imaging Services $103,155, $78,193, and $26,996, respectively, for document scanning and shredding.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PROPER FUND USE

Condition and Context

The District was to establish individual funds and accounts in connection with issuance of Sewage Works Revenue Bonds of 2008 per Ordinance 2009-1. These funds were to be the Revenue Fund; Operation and Maintenance Fund; Utility Sinking Fund; Utility Improvement Fund Bond and Interest Account; and Reserve Account. As discussed in the *Condition of Records* comment above, the District did not maintain a Ledger of Receipts, Disbursements and Balances, Form 358, or a comparable form and no such funds were established or accounted for. The documents generated by the financial consultant for 2022 did not allocate any receipts or disbursements to funds within either the water or wastewater utilities.

Criteria

Indiana Code 13-26-7-1 states: "Each district must keep proper records of the district's finances."

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

TIMELY REMITTANCE OF PAYROLL WITHHOLDINGS

Condition and Context

Employee withholdings for individual retirement accounts and insurance premiums were not being remitted timely to the third-party vendors. Although withholdings were being made from each weekly paycheck for employees, the IRA withholding amounts were only remitted approximately every six months. Insurance premium amounts withheld from employee paychecks were routinely paid two or three months late.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BOARD MINUTES MISSING

Condition and Context

Minutes of meetings of the District Board for 39 of the 60 months during the engagement period were not presented for review. Due to missing District Board minutes, no District Board reorganization was documented for 2018, 2019, 2020, and 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 or 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."

Indiana Code 13-26-5-1 states in part:

". . . (3) the election of a president, a treasurer, and a secretary; . . ."

ANNUAL FINANCIAL REPORT - LATE FILING

The same comment appeared in prior Report B52443, entitled *FINDING 2018-004: ANNUAL FINANCIAL REPORT.*

Condition and Context

The District filed its 2018, 2020, and 2021 Annual Financial Report (AFR) late. The AFR is due 60 days after fiscal year-end, and the District submitted its reports for 2018, 2020, and 2021, on April 11, 2019 (41 days late), March 29, 2021 (28 days late), and March 31, 2022 (30 days late), respectively.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

ADOPTION OF INTERNAL CONTROL STANDARDS

The same comment appeared in prior Report B52443, entitled *FINDING 2018-007: MINIMUM LEVEL OF INTERNAL CONTROLS.*

Condition and Context

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

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:

(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Employees of the District whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the District, had not received training over internal control standards that were developed or approved by the Indiana State Board of Accounts.

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

For 2018, 2019, 2020, 2021, and 2022, the District certified on the Indiana Gateway for Government Units financial reporting system for that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the District; however, the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts had not been adopted and training, had not been provided to necessary employees and officials.

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."

100R CERTIFIED REPORT FILED AFTER DUE DATE

The same comment appeared in prior Report B52443, entitled *FINDING 2018-005: CERTIFIED REPORT.*

Condition and Context

The District is required to submit a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) by January 31 of every year, unless January 31 falls on a Saturday or Sunday. The District submitted Form 100R for 2018 and 2020 on April 3, 2019 (62 days late), and February 21, 2021 (20 days late), respectively.

Criteria

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."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, approved District 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 any of its monthly or annual files on the Indiana Gateway for Government Units financial reporting system for 2018, 2019, 2020, 2021, and 2022.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

CAPITAL ASSETS

Condition and Context

The District had not properly maintained a complete inventory of capital assets owned. No proof indicating a capital asset physical inventory had been conducted during the engagement period was provided. Additionally, no additions and deletions to the capital asset listing had been made in over ten years. The District confirmed that timely recording of asset additions and deletions have not been made to the detailed capital asset listing.

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)

COMPENSATION AND BENEFITS

Condition and Context

The District was unable to provide a salary schedule or salary ordinance approved by the governing board for review for years 2018, 2019, and 2020. February 21, 2018 District Board minutes indicated approval of a wage suggestion, and the July 18, 2018 District Board minutes approved a wage adjustment for future and current employees, but no additional documentation was provided, detailing approved amounts.

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)

DISBURSEMENT DEFICIENCIES

Condition and Context

The District made purchases for which supporting documentation could not be provided. Of the 31 disbursement transactions tested for the engagement period, 9 did not have supporting documentation, including either Municipal Water Utility Accounts Payable Vouchers Form 301 or Municipal Sewage Utility Accounts Payable Vouchers Form 301S or invoices. The 9 disbursements identified for which no supporting documentation was provided, totaled $15,939.

During the engagement period, there was no evidence provided to verify that accounts payable vouchers or an Accounts Payable Voucher Register Form 364 were presented and approved by the District Board.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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)

MATERIALITY THRESHOLD

The same comment appeared in prior Report B52443, entitled *FINDING 2018-006: MATERIALITY THRESHOLD.*

Condition and Context

The District had not adopted a materiality threshold during the engagement period.

SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through an ordinance or resolution.

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)

OFFICIAL BOND

The same comment appeared in prior Report B52443, entitled *FINDING 2018-008: OFFICIAL BOND.*

Condition and Context

The District did not meet the requirements of Indiana Code 13-26-2-10 with respect to surety bond requirements.

Criteria

Indiana Code 13-26-2-10 states in part:

". . . the commissioner shall issue an order directing that the district be established . . .

(b) An order must do the following . . .

(2) provide requirements for sufficient bonds for all officers, trustees, or employees having power to dispense money of the district. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

The Annual Financial Report for 2022 reported the Wastewater fund with an overdrawn cash balance of $13,482 as of December 31, 2022.

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)

JENNING NORTHWEST REGIONAL UTILITIES DISTRICT
EXIT CONFERENCE

The contents of this report were communicated to Andrew Klescht, Utility Manager; Brian Hatfield, President of the District Board; Marshall Jenkins, Vice President of the District Board; Michael Gerth, Secretary/Treasurer; Judi Johnson-Stevens, District Board member; and Kayla Zimmerman, Regional Utilities District Attorney, on June 17, 2025.