

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LOWELL

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
12/05/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-12 to 12-31-15
President of the Town Council	Edgar Corns	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lowell (Town), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan or Official Response for the Federal Finding, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 28, 2014

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CLERK-TREASURER  
TOWN OF LOWELL

CLERK-TREASURER  
TOWN OF LOWELL  
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS***

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Clerk-Treasurer independently prepares the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted that federal awards were incorrectly reported. This error resulted in the SEFA presented for audit to be overstated by \$1,446,509. An audit adjustment was proposed, accepted by the Town, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."





# TOWN OF LOWELL

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## TOWN OF LOWELL SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF FEDERAL AWARDS

On the 2013 CTAR Report under Grants - WW Project - Clean Water SRF - through the Indiana Finance Authority - the amount listed was reported as \$2,255,304 and should have only been listed as the 35.87% reimbursed by the federal government in the amount of \$808,976

The Town of Lowell did have internal controls in place for reporting, the total of SRF drawdowns were listed as opposed to the 35.87% reimbursable of the federal share.

  
\_\_\_\_\_  
Judith Walters, Clerk-Treasurer  
10-07-2014



# TOWN OF LOWELL

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October 30, 2014

State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2769

Via - U.S. Mail & Electronic

RE: Town of Lowell - 2013 Audit Official Response

We wish to file an official response to audit results and comments in the form of a letter to be included in the audit report.

## Internal Controls over Federal Awards

When reporting the 2013 Town of Lowell Grants for December 31, 2013, the SRF Wastewater Grant, through the U.S. EPA, being held at the Bank of New York, was overstated. I reported the full amount drawn down with SRF during 2013, in the amount of \$2,255,304 and should have only reported the reimbursed amount by the federal government in the amount of \$808,976, which represented 35.87% of the project costs. Internal reviews will be properly reviewed in the future so it doesn't occur again.

Thank you for allowing me this opportunity to respond. Your representatives were very professional and helpful.

Yours truly,

Judith Walters, IAMC,CMC  
Clerk-Treasurer

cc: Lowell Town Council  
Financial Solutions Group

CLERK-TREASURER  
TOWN OF LOWELL  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Judith Walters, Clerk-Treasurer, and Edgar Corns, President of the Town Council.