

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SCHNEIDER

LAKE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
08/26/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny L. Beier	01-01-15 to 12-31-19
President of the Town Council	Richard E. Ludlow Stephen A. Wilson	01-01-15 to 12-31-15 01-01-16 to 12-31-16
Water and Wastewater Director	Kevin Gray	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF SCHNEIDER, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Schneider (Town), for the period from January 1, 2015, to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments 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/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 30, 2016

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CLERK-TREASURER
TOWN OF SCHNEIDER

CLERK-TREASURER
TOWN OF SCHNEIDER
FEDERAL FINDING

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting that we considered to be material weaknesses. The Town had not separated incompatible activities related to receipts and disbursements, including vendor and payroll and related benefits disbursements.

The Clerk-Treasurer issued the official receipts, recorded the receipts to the computerized accounting system, prepared the bank deposits, and took the deposits to the bank. The Clerk-Treasurer also prepared, recorded, and reconciled vendor (non-payroll) disbursements. The Clerk-Treasurer generated the payroll transactions and recorded them to the computerized accounting system. The Town had not designed or implemented adequate segregation of duties such as an oversight, review, or approval process.

The Ledger, Gateway Annual Report, and the financial statement for 2015 did not properly reflect the financial activity of the Town. The activity of the Water Utility's State Revolving Loan (SRF) was not included which underreported receipts by \$1,632,785; disbursements by \$1,627,118; and the ending cash and investment balance by \$13,023.

Audit adjustments were proposed, accepted by the Clerk-Treasurer, and made to the financial statement.

Criteria

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)

CLERK-TREASURER
TOWN OF SCHNEIDER
FEDERAL FINDING
(Continued)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the Town had not established a proper system of internal control.

Effect

The failure to establish these controls would have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system would have placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Control activities should be in place to reduce the risks of errors in financial reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2015-001-FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Jenny Beier
Contact Phone Number: 219-552-0661

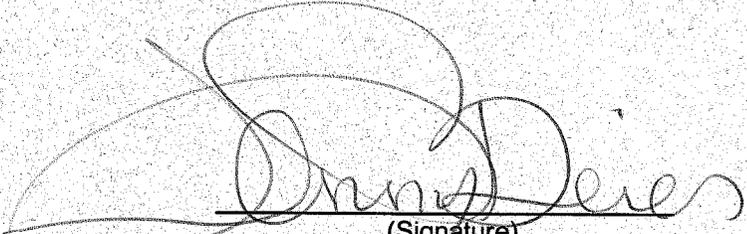
Views of Responsible Official:
We do not concur with the finding.

Description of Corrective Action Plan:

The Town of Schneider does implement internal control procedures that give reliability and assurance of our financial information and records. Because of the size of the town of Schneider, we do not have the staff for a proper segregation of duties. We do have a system of how needs are purchased, how invoices are checked, how payments are made, and how they are approved. The format of internal controls is mostly verbal but because of new legislation, the Town Council will implement this format in writing.

All financial transactions relating to the Town of Schneider are recorded in the records. Records pertaining to the SRF loan are documented accurately in written form. The Clerk-Treasurer will take efforts to transfer that information to the Town's computerized records.

Anticipated Completion Date: February 28, 2017


(Signature)
Clerk-Treasurer
(Title)
6/28/2016
(Date)

CLERK-TREASURER
TOWN OF SCHNEIDER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The financial statement presented for audit included an overdrawn cash balance of \$5,291 for the Wastewater Operating fund at December 31, 2015. As of February 2016, the Wastewater Operating fund had a positive balance.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY LOANS BETWEEN FUNDS

Temporary loans from the Water Cust Deposit and Wastewater Operating funds to the General Fund were made in 2009 for \$3,000 and \$2,758, respectively. These amounts have not been repaid as of May 31, 2016.

A similar comment appeared in prior Report B45585.

Indiana Code 36-1-8-4, concerning temporary loans, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

CLERK-TREASURER
TOWN OF SCHNEIDER
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2016, with Jenny L. Beier, Clerk-Treasurer, and Stephen A. Wilson, President of the Town Council.

WATER AND WASTEWATER UTILITIES
TOWN OF SCHNEIDER

WATER AND WASTEWATER UTILITIES
TOWN OF SCHNEIDER
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TOWN OF SCHNEIDER
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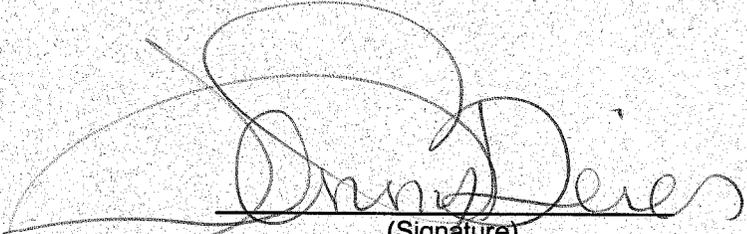
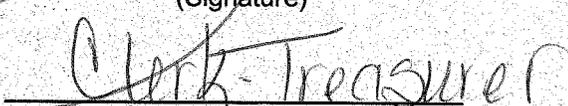
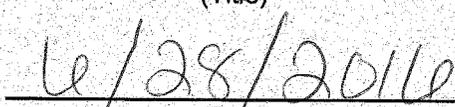
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(Signature)

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TOWN OF SCHNEIDER
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