

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

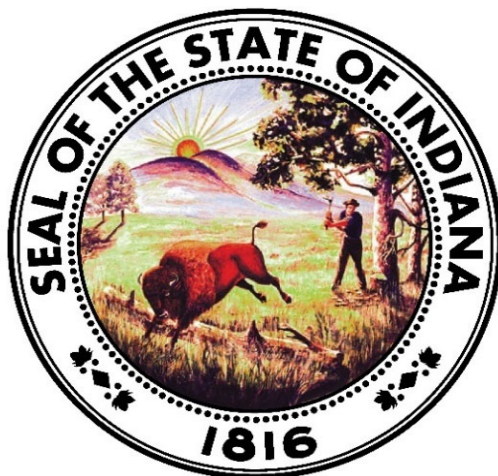
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LOWELL

LAKE COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**

08/02/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-21 to 12-31-23
President of the Town Council	Christopher Salatas Todd Angerman	01-01-21 to 05-31-21 06-01-21 to 12-31-23
Town Judge	The Honorable Robert McMahon (interim) The Honorable Richard Shapiro	01-01-21 to 01-01-21 01-02-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Lowell (Town), for the period from January 1, 2021 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at [www.in.gov/sboa/](http://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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 19, 2023

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TOWN COURT  
TOWN OF LOWELL

TOWN COURT  
TOWN OF LOWELL  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS***

The same comment also appeared in prior Reports B53209 and B57326.

*Condition and Context*

There were deficiencies in the internal control system for the Town Court (Court) related to financial transactions and reporting. The Court had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting. The failure to establish these internal controls could have enabled misstatements to occur and remain undetected.

*Cash and Investments, Receipts, and Disbursements*

One Court employee was responsible for the issuance of receipts, posting of receipts, and preparation of the daily deposit without a proper system of oversight or review.

Another Court employee was responsible for the preparation and posting of all disbursements, as well as the preparation of the monthly bank reconcilements. An oversight or review process of the postings of the receipts, deposits, disbursements, and the monthly bank reconciliations by an individual other than the preparer was not performed.

*Financial Reporting*

The Court converted from a manual court ledger to the Odyssey Case Management System as required. At year-end, the Court prepared and submitted the Court's financial information to the Clerk-Treasurer for inclusion in the Town's Annual Financial Report, which is the basis for the Town's financial statement.

However, when determining the annual financial information for the Court, one Court employee computed the year-end financial information from the manual Court ledger instead of the Odyssey system, which is the official record of the Court.

This resulted in the Court fund receipts and disbursements to be overstated by \$409,108 and \$416,115, respectively. Audit adjustments were proposed, approved by management, and made to the financial statement and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report.

TOWN COURT  
TOWN OF LOWELL  
AUDIT RESULT AND COMMENT  
(Continued)

In addition, due to the audit adjustments presented above, the Court fund cash and investments balance as of December 31, 2022, was \$11,664 understated when compared to the adjusted depository balance. The financial statement was not adjusted for this variance.

*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. . . ."

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](#)."



July 27, 2023

Indiana State Board of Accounts  
302 West Washington St.  
Room E418  
Indianapolis, Indiana 46204-2765

Via email transmission only  
email: [officialresponse@sboa.in.gov](mailto:officialresponse@sboa.in.gov)

**LOWELL TOWN COURT OFFICAL RESPONSE**

**Title: Corrective Action Plan for Lowell Town Court, Lake County, Indiana:**

**Report Period: January 1, 2021 – December 31, 2022**

**Contact Person Responsible for Corrective Action: Hon. Judge Richard N. Shapiro**

**Contact Person's Phone Number: 219.696.4077**

**Contact Person's email address: [rshapiro@lowell.net](mailto:rshapiro@lowell.net)**

**Views of Responsible Official:** While I agree with the audit findings, the Lowell Town Court with its limited budget, is unable to hire the additional staff needed to properly implement internal controls sufficient to eliminate the deficiencies found in the audit report. Inasmuch as there is not enough money in the Town's budget to hire additional personnel, the Town Judge will be forced to take on non-Judicial duties in order to address the deficiencies found in the most recent Audit Report by the State Board of Accounts.

**Description of Corrective Action Plan: The Lowell Town Court will immediately implement the following internal controls with regard to Cash and Investments, Receipts and Disbursements:** The Judge shall at least once a week, normally on a Friday, but the audit can occur at any other day of the week that is convenient for the Judge, review the daily receipts and compare them with the daily deposit ticket/receipt from the Bank with the Till Summary records from Odyssey to ensure that what is being deposited with the Bank matches the amounts shown on the daily

receipts and Till Summary. After said review, the Judge shall initial the deposit slips to document that they have been reviewed.

The Judge shall at least once a month, normally on a Saturday, but the audit can occur at any day of the week that is convenient for the Judge, review with the Financial Clerk of the Court, receipts and disbursements pursuant to Odyssey balances and sign the same. Additionally, the Judge shall shall once a month review the monthly Bank reconciliations and initial the same.

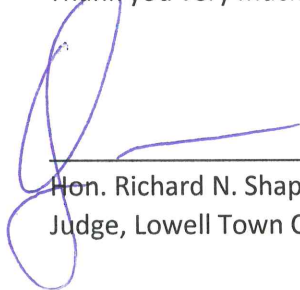
**The Lowell Town Court will immediately implement the following internal controls with regard to Financial Reporting:** Beginning in the year ending 12-31-23, The Financial Clerk shall prepare and submit its financial information to the Clerk-Treasurer for inclusion in the Town's Annual Financial Report using the Odyssey Case Management System and NOT from any manual Town Court Ledger.

The Judge shall, at the end of each year, review with the Financial Clerk, the year-end financial information using the Odyssey Case Management System and initial the same.

**Anticipated Completion Date:** The above state Corrective Action Plan has been implemented, effective immediately.

If you have any questions regarding this matter, please feel free to contact me.

Thank you very much.



\_\_\_\_\_  
Hon. Richard N. Shapiro  
Judge, Lowell Town Court

cc: Judith Walters, Clerk-Treasurer

TOWN COURT  
TOWN OF LOWELL  
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2023, with Judith Walters, Clerk-Treasurer; Todd Angerman, President of the Town Council; and The Honorable Richard Shapiro, Town Judge.