

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

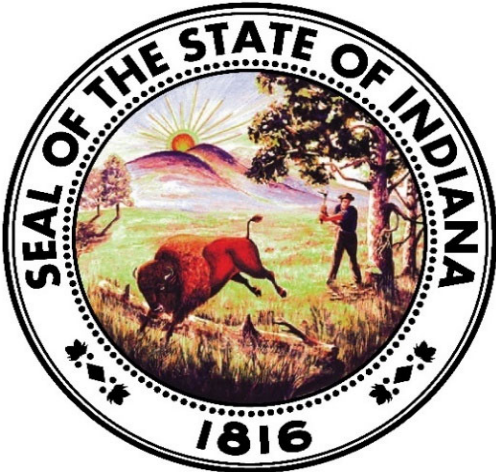
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAPEL

MADISON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
08/10/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Overdrawn Cash Balances	6
Internal Controls	6-7
Errors on Claims	7-8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis Molina	01-01-21 to 12-31-23
President of the Town Council	Chad Blake Teresa Retherford Noah Bozell	01-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF LAPEL, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Lapel (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/.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

July 26, 2023

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF LAPEL

CLERK-TREASURER
TOWN OF LAPEL
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The following Town funds had negative cash balances at December 31, 2021, and December 31, 2022:

Fund	Amount Overdrawn 12-31-21	Amount Overdrawn 12-31-22
Sidewalk Replacement	\$ (1,758)	\$ (1,758)
Park	-	(95,264)
Bodenhorn Park Grant	(197,193)	-
Sewer - Cash Operating	(27,198)	(126,403)
Water - Improvement	(91,422)	(182,583)
Water - Const in Progress	-	(1,983)
Gas - Cash Operating	-	(147,961)
Gas - Const in Progress	-	(166)

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 Cities and Towns, Chapter 1)

INTERNAL CONTROLS

Condition and Context

The Town did not have adequate internal control processes and procedures in place related to adjustments made to an individual's time record for clock-in and clock-out times. When needed, adjustments are necessary for employees who respond directly to unplanned events such as utility maintenance responsibilities, or employees who attend meetings, or employees who work in areas where the time clock is not readily accessible.

A user that makes a time clock adjustment is identified by the software only by their email address. Upon inspection, most time clock adjustments were made using a generic email address that was accessible by more than one employee. When comparing the generic email address against the documentation provided, it was determined to be probable that at least one employee made numerous adjustments to their own time. This internal control deficiency could potentially allow an employee to charge the Town for time that was not actually worked. During the audit, it was determined the Town had not established formal written procedures to include oversight and review of adjustments made to the time clock.

CLERK-TREASURER
TOWN OF LAPEL
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . .

Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties. . . ."

ERRORS ON CLAIMS

Condition and Context

Of a sample of 72 vendor claims tested, 6 were not found to have been approved by the Town Council. Supporting documentation was not provided for an additional 7 claims detailed below:

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
01-13-21	\$ 2,484	Lowe's	Credit Card Purchases
02-11-21	50	James Blevens	Reimburse for broken mail box
03-11-21	50	Bryce Plumbing	Replace Toilet
12-06-21	900	Tech Duo, LLC	IT Upgrades
12-14-21	806	A E Boyce Company, Inc.	Boyce Mail
12-14-21	1,055	Lowe's	Credit Card Purchases
05-17-22	<u>1,001</u>	Hawkins, Inc.	Chlorine Cylinders
Total	<u>\$ 6,347</u>		

CLERK-TREASURER
TOWN OF LAPEL
AUDIT RESULTS AND COMMENTS
(Continued)

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 Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF LAPEL
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2023, with Dennis Molina, Clerk-Treasurer; Paula Lee, Deputy Clerk-Treasurer; and Gary Shuck, Town Council member.