

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LEWISVILLE

HENRY COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**

08/21/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayana Posey	01-01-21 to 12-31-23
President of the Town Council	John Newhouse	01-01-21 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 LEWISVILLE, HENRY COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Lewisville (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 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

August 9, 2023

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CLERK-TREASURER  
TOWN OF LEWISVILLE

CLERK-TREASURER  
TOWN OF LEWISVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Reports B54015 and B57942, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

The Town did not have an effective system of internal controls, which would include segregation of duties, to prevent, detect, and correct errors related to cash and investments, receipts, disbursements, and financial close and reporting.

*Cash and Investments*

The Clerk-Treasurer prepared bank reconciliations monthly and the Town Council reviewed them; however, there was no evidence of the review.

*Receipts*

There was no documented oversight or review of receipt postings or deposits.

*Disbursements*

Of the 79 claims tested, 16 were not approved by the Town Council or reviewed by someone other than the Clerk-Treasurer who prepared the claims.

*Financial Close and Reporting*

The Clerk-Treasurer prepared, entered, and submitted financial information for the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system without an oversight or review to ensure the information was accurate.

Due to the lack of effective internal controls, the AFR contained the following errors:

1. The January 1, 2021 total beginning cash and investments balance was overstated by \$1,639.
2. Total receipts were understated by \$728,419 and \$41,967 for calendar years 2021 and 2022, respectively.
3. Total disbursements were understated by \$764,826 and \$103,021 for calendar years 2021 and 2022, respectively.
4. Cash and investments ending balances for December 31, 2021, and December 31, 2022, were overstated by \$38,046 and \$99,099, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report.

CLERK-TREASURER  
TOWN OF LEWISVILLE  
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. . . ."

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](#)."

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. . . ."

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

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial, supplemental, grant, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFRs contained the following errors:

*Grants*

The Community Development Block Grants/Entitlement Grants expenditures were overstated by \$69,259 and \$39,609 in calendar year 2021 and 2022, respectively.

*Leases and Debt*

The ending principal balance and the principal due within one year for debt at December 31, 2022, was understated by \$13,800.

*Accounts Payables and Receivables*

The Town did not provide records to support the amounts reported in Gateway for accounts payable and accounts receivable.

*Capital Assets*

The Town did not have detailed capital asset listings to support the amounts reported in Gateway.

The Town has chosen not to report the Schedule of Leases and Debt, the Schedule of Payables and Receivables, and the Schedule of Capital Assets as Other Information.

*Criteria*

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

"The state examiner shall require from every audited entity 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](#)."

**FUND SOURCES AND USES - UTILITY CASH RESERVE FUNDS**

*Condition and Context*

The Town transferred \$26,496 from both the Water Utility Cash Reserve fund and the Electric Utility Cash Reserve fund to the Local Law Enf Cont Ed fund.

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

*Criteria*

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**CAPITAL ASSETS**

A similar comment also appeared in prior Report B57942, entitled *CAPITAL ASSETS*.

*Condition and Context*

The Town did not provide a detailed listing of capital assets for the Electric Utility or the Town assets. Additionally, the Town did not conduct a physical inventory of assets during the audit period.

*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 Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF LEWISVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2023, with Jayana Posey, Clerk-Treasurer, and John Newhouse, President of the Town Council.

TOWN COUNCIL  
TOWN OF LEWISVILLE

TOWN COUNCIL  
TOWN OF LEWISVILLE  
AUDIT RESULT AND COMMENT

**CAPITAL ASSETS**

The same comment also appeared in prior Report B57942.

*Condition and Context*

The Town had not adopted a capital asset policy that includes a dollar value threshold for capitalization of assets.

*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 Cities and Towns, Chapter 1)

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TOWN OF LEWISVILLE  
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