

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CORUNNA

DEKALB COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**

09/08/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cassandra Lynch	01-01-12 to 12-31-19
President of the Town Council	Steve Faulkner	01-01-12 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CORUNNA, DEKALB COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Corunna (Town), for the period from January 1, 2012 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

July 17, 2017

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CLERK-TREASURER  
TOWN OF CORUNNA

CLERK-TREASURER  
TOWN OF CORUNNA  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The following deficiencies related to the internal control system were noted:

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The Clerk-Treasurer was the only office employee. The failure to establish these controls could have enabled material misstatements or irregularities to occur and remain undetected.
2. Preparing Financial Statements: Effective internal control over the financial reporting involved the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town had not identified risks to the preparation of reliable financial statements and, as a result, failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

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. . . ."

CLERK-TREASURER  
TOWN OF CORUNNA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

The Clerk-Treasurer had not properly maintained a complete inventory of capital assets owned. Capital asset additions and deletions were not recorded on the capital asset ledger.

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)

**APPROPRIATIONS**

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Rainy Day	2013	\$ 5,000
General	2014	25,231
Motor Vehicle Highway	2014	872
Cumulative Capital Development	2015	1,788

A similar comment appeared in prior Report B41161.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CLERK-TREASURER  
TOWN OF CORUNNA  
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2017, with Cassandra Lynch, Clerk-Treasurer; Steve Faulkner, President of the Town Council; and Bobby L. Bizwell, Town Council member.

TOWN COUNCIL  
TOWN OF CORUNNA

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TOWN OF CORUNNA  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

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2. Preparing Financial Statements: Effective internal control over the financial reporting involved the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town had not identified risks to the preparation of reliable financial statements and, as a result, failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting required monitoring and assessing the quality of the Town's system of internal control. An ongoing or separate evaluation and monitoring of the Town's system of internal controls had not been performed. The failure to evaluate and monitor the effectiveness of controls does not reduce the risk that controls may not be operating effectively in order to prevent or detect material misstatements in a timely manner. Additionally, the Town had no process to identify or communicate corrective actions to improve controls.

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TOWN COUNCIL  
TOWN OF CORUNNA  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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Cumulative Capital Development	2015	1,788

The records presented for examination indicated the following funds were expended without appropriation by the Town Council:

Fund	Years	Excess Amount Expended
CEDIT	2013	\$ 11,146
CEDIT	2014	1,500
CEDIT	2015	4,060
CEDIT	2016	2,014
LOIT	2015	3,348
LOIT	2016	2,606

A similar comment appeared in prior Report B41161.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. . . ."

TOWN COUNCIL  
TOWN OF CORUNNA  
EXIT CONFERENCE

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