

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAGRANGE

LAGRANGE COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
09/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michael Rowlison (deceased) (Vacant) Laurie D. Miller	01-01-08 to 12-28-12 12-29-12 to 01-24-13 01-25-13 to 12-31-19
President of the Town Council	Mark W. Eagleson Greg Kenner Juan C. Arroyo	01-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-17
Superintendent of Water Utility	John Leu	01-01-12 to 12-31-17
Superintendent of Wastewater Utility	Jeff Moore	01-01-12 to 12-31-17
Town Manager	Mark W. Eagleson	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LAGRANGE, LAGRANGE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of LaGrange (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/.

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 Result and Comment contained herein describe 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 Examination Result and Comment, incorporated within this report, was not verified for accuracy.

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

August 16, 2017

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CLERK-TREASURER
TOWN OF LAGRANGE

CLERK-TREASURER
TOWN OF LAGRANGE
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS

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

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investment balances. The Clerk-Treasurer was the solely responsible for the reconciliation of the Town's bank accounts and the Deputy Clerk-Treasurer was solely responsible for the reconciliation of the Utility's bank accounts. There was no indication that reconcilements were reviewed and approved by anyone other than the person who prepared it. The failure to establish adequate controls could have enabled error to occur and go undetected.
2. Preparing Financial Statements: The Town had not identified risks related to the preparation of the financial statements and, as a result, failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements.
3. Monitoring of Controls: Neither management nor the Town Council had performed either an ongoing or separate evaluation of the system of internal controls. The failure to exercise oversight responsibility placed the Town at risk that controls may not have been designed or operating effectively to provide reasonable assurance that material misstatements would have been prevented or detected in a timely manner. Additionally, the Town had no process to identify or communicate corrective actions to improve controls.

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 LAGRANGE
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2017, with Laurie D. Miller, Clerk-Treasurer; Juan C. Arroyo, President of the Town Council; Raymond E. Hoover, Town Council member; and Mark W. Eagleson, Town Manager.