

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GRIFFITH

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
11/01/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	George Jerome John Volkmann	03-14-12 to 08-31-16 09-01-16 to 12-31-19
President of the Town Council	Glen Gaby Rick Ryfa	01-01-13 to 12-31-13 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 GRIFFITH, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Griffith (Town), for the period from January 1, 2013 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 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

September 14, 2017

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CLERK-TREASURER
TOWN OF GRIFFITH

CLERK-TREASURER
TOWN OF GRIFFITH
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS - SEGREGATION OF DUTIES

The Town had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to be undetected.

The Clerk-Treasurer prepared the financial statements; however, there was no evidence of an oversight, review, or approval process to ensure the financial statements were accurate.

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. . . ."

OVERDRAWN CASH AND INVESTMENT BALANCES

At December 31, 2016, the WATER DEPT OPERATING fund reported in the financial statements was overdrawn by \$481,372.

A similar comment appeared in prior Report B42358 titled *OVERDRAWN CASH BALANCES*.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DEPOSIT COMPOSITION

For seven out of ten dates tested, the composition (or method of payment; cash, check, money order, etc.) of the receipts could not be verified to the composition of the deposits made in the Town's bank accounts to ensure funds were deposited in the form in which they were received. City personnel issuing the receipt either did not indicate the composition on the receipt or the designation was not clear.

Indiana Code 5-13-6-1(a) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

CLERK-TREASURER
TOWN OF GRIFFITH
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2017, with George Jerome, former Clerk-Treasurer; John Volkmann, Clerk-Treasurer; Nancy Bozinovich, Deputy Clerk-Treasurer; Tony Hobson, Council member; and Rick Ryfa, President of the Town Council.