

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LIGONIER

NOBLE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



**FILED**  
12/29/2017



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Examination Results and Comments:	
Internal Controls .....	6
Overdrawn Cash Balances .....	7
Capital Assets .....	7
Exit Conference .....	8
Common Council:	
Examination Result and Comment:	
Internal Controls .....	10
Exit Conference .....	11

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara Hawn	01-01-12 to 12-31-19
Mayor	Patricia Fisel	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Patricia Fisel	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Kenneth Schuman	01-01-13 to 12-31-17
Superintendent of Water Utility	Jeffery Boyle	01-01-13 to 12-31-17
Superintendent of Wastewater Utility	Kenneth Sprague	01-01-13 to 12-31-17



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF LIGONIER, NOBLE COUNTY, INDIANA

This report is supplemental to our examination report of the City of Ligonier (City), 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 City. It should be read in conjunction with our Financial Statements Examination Report of the City, which provides our opinion on the City'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

November 14, 2017

(This page intentionally left blank.)

CLERK-TREASURER  
CITY OF LIGONIER

CLERK-TREASURER  
CITY OF LIGONIER  
EXAMINATION RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A control policy had been established regarding the Annual Financial Report (AFR), where the Common Council approved the AFR prepared by the Clerk-Treasurer. Testing of internal controls determined there was no verifiable evidence that the approval occurred. Additionally, internal controls concerning the approval of adjustments to utility customer account balances had been established whereby the Clerk-Treasurer was to approve adjustments posted. However in a test of twenty adjustments, we identified four adjustments that were not approved.

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  
CITY OF LIGONIER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

Three funds had overdrawn cash balances at December 31, 2016, as follows:

Fund	Amount Overdrawn December 31, 2016
Debt Service	\$ 4,657
Payroll - FICA	2,854
Payroll - UHC (Health-Life Ins)	2,375

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)

**CAPITAL ASSETS**

A Schedule of Capital Assets was not included in the Annual Financial Reports for the period under examination. Subsidiary capital asset records have not been maintained or updated since 2014.

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  
CITY OF LIGONIER  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Barbara Hawn, Clerk-Treasurer; Patricia Fisel, Mayor; and Kenneth Schuman, President Pro Tempore of the Common Council.

COMMON COUNCIL  
CITY OF LIGONIER

COMMON COUNCIL  
CITY OF LIGONIER  
EXAMINATION RESULT AND COMMENT

***INTERNAL CONTROLS***

A control policy had been established regarding the Annual Financial Report (AFR), where the Common Council approved the AFR prepared by the Clerk-Treasurer. Testing of internal controls determined there was no verifiable evidence that the approval occurred. Additionally, internal controls concerning the approval of adjustments to utility customer account balances had been established whereby the Clerk-Treasurer was to approve adjustments posted. However in a test of twenty adjustments, we identified four adjustments that were not approved.

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. . . ."

COMMON COUNCIL  
CITY OF LIGONIER  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Kenneth Schuman, President Pro Tempore of the Common Council.