

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LACROSSE

LAPORTE COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
06/18/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kelly Kiel	07-27-12 to 12-31-19
President of the Town Council	Robert Wheeler Justin Kiel	01-01-14 to 12-31-15 01-01-16 to 12-31-18
Superintendent of Utilities	Jerry D. Jackson Jeff Crandall	01-01-14 to 12-31-14 01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF LACROSSE, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of LaCrosse (Town), for the period from January 1, 2014 to December 31, 2017. 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 our Financial Statements Audit 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 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 Responses to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 14, 2018

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CLERK-TREASURER
TOWN OF LACROSSE

CLERK-TREASURER
TOWN OF LACROSSE
AUDIT RESULTS AND COMMENTS

INTERNAL CONROLS

Deficiencies in the internal control system of the Town were identified as 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.

Cash and Investments

The Clerk-Treasurer prepared the bank account reconciliations for the Town and Utilities without evidence of an oversight, review, or approval process.

Receipts

The Clerk-Treasurer collected funds, issued receipts, recorded receipts in the ledgers, prepared deposit tickets, and took deposits to the bank. The Clerk-Treasurer also recorded and approved adjustments to the ledgers and customer accounts. There was not a documented oversight, review, or approval process.

Vendor Disbursements

The Clerk-Treasurer prepared and certified accounts payable vouchers; wrote and signed checks; distributed checks; and recorded checks in the ledgers. The Clerk-Treasurer also recorded and approved adjustments. There was not a documented oversight, review, or approval process.

Payroll Disbursements

The Clerk-Treasurer entered pay rates and hours worked; prepared payroll claims; recorded payroll disbursements in the ledger; wrote and signed payroll checks; and distributed the checks. There was not a documented oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer closed the financial records and entered the annual financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source for the Annual Financial Reports (AFR) and the financial statements. The Clerk-Treasurer also approved the AFR and financial statements for the Town and Utilities. There was not a documented oversight, review, or approval process.

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

Notes to the Financial Statement

The Clerk-Treasurer entered the required information into Gateway and approved the notes to the financial statements. There was not a documented oversight, review, or approval process.

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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Yet, the Clerk-Treasurer certified in the AFR on January 20, 2018, that the Town had provided employees with internal control training.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

TOWN OF LA CROSSE

OFFICE OF THE CLERK-TREASURER

P. O. Box 246

LA CROSSE, INDIANA 46348-0246
219-754-2512

May 24, 2018
State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204

RE: Official Response

Indiana State Board of Accounts:

Please consider this letter as an "Official Response" to the recent audit of the Town of LaCrosse's financial ledgers.

Internal Controls

The Indiana State Board of Accounts is required under Indiana Code 5-11-1-27(3) to define the acceptable minimum level of internal control standards. To provide 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, which include adequate control activities. Per the manual:

"Control activities are the actions and tools established through policies and procedures to 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." Therefore, an integral part of the control activity component is segregation of duties.

Response:

The Town had already begun to take the steps needed to address the items identified in the gaps in Internal Controls. Due to the size of the Town, there has been just one Clerk-

Treasurer. In addition, an outside consultant was brought in twice a year, who is a Deputy from another Town, to assist during the preparations of the Budget and Annual Financial Report as well as the submissions to Gateway. In the audit findings, this was identified by stating, "There was not a documented oversight, review or approval process." To address the *Financial Close and Reporting* and the *Notes to the Financial Statement*, in the future, there will be documentation with signatures and marks of initials to indicate where this oversight, review, and approval process has occurred.

To address the oversight, review, and approval process for Cash and Investments, Receipts, Vendor Disbursements, and Payroll Disbursements required the addition of a part-time Deputy. After Clerk-Treasurer Kelly Kiel had attended the Spring 2017 SBOA Regional Training, she had spoken with the Town Council about Internal Controls and how it is recognized that there are challenges small towns face due to not having additional staff to have a segregation of duties. In December 2017, the hiring of a Deputy Clerk for approximately 10 hours a week was discussed. In January 2018, the resume of a candidate was presented at a Special Meeting and a Deputy Clerk was hired at the January 2018 regular meeting.

With the hiring of this additional person, new procedures are now being implemented to correct the gaps in Internal Controls found during the audit with the following steps being put into place.

Cash and Investment: The Clerk Treasurer will reconcile the funds receipts and disbursements to the bank's deposits and withdrawals. Once this has been completed it will be given to the Deputy for her review. Once reviewed, the documents will be signed and dated.

Receipts: Cross-training has occurred in the receipt process. Therefore, if the Deputy makes the deposit, then the Clerk-Treasurer will review the Cash Summaries and other payment sources with the funds deposited by comparing them with the Receipts as well as the bank deposit tickets. These items will be either signed or initialed upon review. Vice versa, if the Clerk Treasurer makes the deposit, then the Deputy will review and sign.

Vendor Disbursements: The Clerk Treasurer will review bills as they come in and indicate which funds/appropriations to use when paying these. The Deputy will pay the claims and sign on the first line of the APV and the Clerk Treasurer will review and sign and date the form. Vice versa, if the Clerk Treasurer makes the payment, then the Deputy will review and sign.

Payroll Disbursements: The Clerk Treasurer and Deputy will review the hours submitted for payment. When the Clerk Treasurer does payroll, then the Deputy will review the hours

submitted into Keystone and sign the payroll APVs and review and initial the payroll-related Receipts. When the Deputy does payroll, then the Clerk Treasurer will review the hours submitted into Keystone and sign the payroll APVs and review and initial the payroll-related Receipts.

The board will continue to review and sign the claim docket for all APVs as has already been occurring. Additionally, the Clerk Treasurer will provide the Appropriations Report to the Council for review.

Certification on Internal Control Standards

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Yet, the Clerk-Treasurer certified in Gateway on January 20, 2018 that the Town had provided employees with internal control training.

Response:

The Clerk-Treasurer had attended training at the Spring Regional Meeting in 2017. The Clerk-Treasurer had reported back to the Town Council about attending that training and some of the topics discussed including the need to begin addressing internal controls. The importance of conducting performance evaluations was discussed. It also ultimately resulted in the hiring of a Deputy in order to implement more internal control procedures. Additionally, the Town did adopt an Internal Controls Ordinance. When certifying on January 20, 2018, I felt the above actions had fulfilled what was being asked. At the audit, it was explained that the Internal Controls Webinar needed to also be watched. To rectify this oversight, the Council and Clerk-Treasurer have taken immediate action and required that all employees and town officials complete the internal controls training. As of May 24th, all employees and elected officials have completed the internal controls webinar training and signed their certification forms.

Please add this "Official Response" to the documents regarding the January 1, 2014 to December 31, 2017 audit for the Town of LaCrosse, LaPorte County, Indiana.

Sincerely,

Kelly Kiel
Clerk-Treasurer

CLERK-TREASURER
TOWN OF LACROSSE
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Kelly Kiel, Clerk-Treasurer; Justin Kiel, President of the Town Council; Rodney Cox, Town Council member; and Robert Wheeler, Town Council member.

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TOWN COUNCIL
TOWN OF LACROSSE

TOWN COUNCIL
TOWN OF LACROSSE
AUDIT RESULT AND COMMENT

INTERNAL CONTROL STANDARDS

The Town Council adopted an ordinance addressing the internal control standards for Indiana political subdivisions; however, the employees of the Town did not take the required training.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN OF LA CROSSE
OFFICE OF THE CLERK-TREASURER

P. O. Box 246

LA CROSSE, INDIANA 46348-0246
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May 24, 2018
State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204

Indiana State Board of Accounts:

Please consider this letter as an "Official Response" to the recent audit of the Town of LaCrosse's financial ledgers.

The findings of the audit indicate that internal controls training had not taken place for all employees of the Town. To rectify this oversight, the Council has taken immediate action and required that all employees and town officials complete the internal controls training as soon as possible. As of May 24th, all employees and elected officials have completed the training and signed their certification forms. The certification form and a link to the video will be included in the town's personnel handbook so as to remind new hires to complete the training as well.

We thank you for your dedication to inspecting our municipality's finances and ensuring the proper management of local government.

Sincerely,

Justin Kiel Council
President Town of LaCrosse

TOWN COUNCIL
TOWN OF LACROSSE
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2018, with Kelly Kiel, Clerk-Treasurer; Justin Kiel, President of the Town Council; Rodney Cox, Town Council member; and Robert Wheeler, Town Council member.