

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PRINCE'S LAKES

JOHNSON COUNTY, INDIANA

January 1, 2014 to December 31, 2017



**FILED**  
09/06/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls .....	6
Exit Conference .....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Harrison	01-01-12 to 12-31-19
President of the Town Council	Charles Bourne	01-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PRINCE'S LAKES, JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Prince's Lakes (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/](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 Audit Result and Comment contained herein describes 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 Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

September 5, 2018

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CLERK-TREASURER  
TOWN OF PRINCE'S LAKES

CLERK-TREASURER  
TOWN OF PRINCE'S LAKES  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B44522, entitled *FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts and financial reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

*Receipts*

Receipts, including utility collections, were collected by one of three individuals (Clerk-Treasurer, Deputy Clerk-Treasurer, or Utility Billing Clerk) in the office. The Deputy Clerk-Treasurer also usually prepared the deposit slip and posted the receipts at the end of the month. Therefore, the Deputy Clerk-Treasurer had the ability to issue receipts, prepare the deposits, and post the receipts to the ledger without proper oversight. The Clerk-Treasurer normally took the deposits to the bank.

*Financial Reporting*

One individual prepared and submitted the Annual Financial Report information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. There was no control in place, such as an oversight, review, or approval process to ensure that the financial information was accurate prior to submission.

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 PRINCE'S LAKES  
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2018, with Karen Harrison, Clerk-Treasurer; Charlie Bourne, President of the Town Council; and Mike Gallamore, Vice President of the Town Council.