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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAPAZ

MARSHALL COUNTY, INDIANA

January 1, 2014 to December 31, 2017

FILED
12/06/2018

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls over Financial Transactions and Reporting	6
Official Response	7
Exit Conference	8

SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Susan Albert	01-01-12 to 12-31-19
President of the Town Council	David Albert	01-01-14 to 12-31-15
	Roger Ecker	01-01-16 to 12-31-18

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LAPAZ, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Town of LaPaz (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 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

October 25, 2018

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CLERK-TREASURER
TOWN OF LAPAZ

CLERK-TREASURER
TOWN OF LAPAZ
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not implemented adequate segregation of duties as it had not separated incompatible activities related to receipts, payroll disbursements, and financial reporting.

Receipts

There were no documented controls to ensure that collections were properly receipted. One person generated the receipt, prepared the deposit ticket, and took the deposit to the bank without oversight or review.

Payroll Disbursements

The Clerk-Treasurer entered salaries and hourly rates into the payroll system according to the salary ordinance. The Clerk-Treasurer entered time cards, approved by the President of the Town Council, into the payroll system for processing. There was no review or approval process over payroll processing to ensure rates and hours were entered correctly.

Financial Reporting

Year-end fund reports were reviewed by the Town Council prior to submission into the Indiana Gateway for Government Units' financial reporting system, which was the source for the Annual Financial Reports and financial statements. The Clerk-Treasurer transmitted the financial statements directly from her computer without oversight, review, approval, or other compensating control to ensure the accuracy of the information submitted.

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. . . ."

TOWN OF LAPAZ
108 RANDOLPH ST.
P. O. BOX 820
LAPAZ, IN 46537

October 29, 2018

The Town of LaPaz would like to respond to the audit comments in the examination results for Audit Period January 1, 2014 to December 31, 2017. The comment was in reference to internal controls of financial reporting.

In order to improve deficiencies in the Town of LaPaz's internal controls of financial reporting due to the size of the Town, in September 2015 the LaPaz Town Council voted to provide the Town with a financial consultant to the Clerk-Treasurer. This consultant works directly with the Clerk-Treasurer when processing the monthly reconciliations, working on Budget, and submitting data into Gateway, as well as other duties.
The Town considers this a high level of oversight as the consultant is a CPA who previously worked for the SBOA resulting in a full understanding of what is required.

Susan Albert
Clerk-Treasurer

CLERK-TREASURER
TOWN OF LAPAZ
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2018, with Roger Ecker, President of the Town Council, and Susan Albert, Clerk-Treasurer.