

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAUREL

FRANKLIN COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**

02/14/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carlene Rayburn (Vacant) Linda Adams	01-01-13 to 05-25-13 05-26-13 to 05-29-13 05-30-13 to 12-31-19
President of the Town Council	Nora Hundley Mallory Carlton Rebecca Jones	01-01-13 to 12-14-15 12-15-15 to 12-31-17 01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LAUREL, FRANKLIN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Laurel (Town), for the period from January 1, 2013 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 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 18, 2018

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CLERK-TREASURER  
TOWN OF LAUREL

CLERK-TREASURER  
TOWN OF LAUREL  
AUDIT RESULTS AND COMMENTS

***PENALTIES AND INTEREST PAID***

A similar comment appeared in prior Report B44187, entitled *PENALTIES AND INTEREST PAID*.

The Town paid penalties and interest totaling \$1,856 to the Indiana Department of Revenue in the years 2016, 2017, and 2018 because the Town did not remit payments for sales tax and state and local withholding taxes on a timely basis.

Additionally, the Town did not remit federal withholding taxes to the Internal Revenue Service (IRS) for the years 2016, 2017, and 2018 until December 2018. The amount of penalties assessed on these payments has not been determined.

Due to the condition of records and lack of supporting documentation, we could not determine if additional penalties, interest, or other charges were paid to the IRS during the audit period.

On December 14, 2018, the Clerk-Treasurer personally reimbursed the Town \$1,856 for the penalties and interest paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

A similar comment appeared in prior Report B44187, entitled *FINDING 2012-001-INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS*.

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

**Lack of Segregation of Duties:** The Town had not separated incompatible activities related to cash and investments, receipts, vendor disbursements, payroll disbursements, and financial close and reporting.

**Cash and Investments:** One individual was primarily responsible for completing the bank reconciliations. There was no control in place, such as an oversight, review, or approval process, to ensure that monthly reconciliations were properly completed.

**Receipts:** One individual was primarily responsible for collecting, posting, and depositing the Town's receipts. There was no documentation of a control in place, such as an oversight, review, or approval process, to ensure that receipts were properly recorded and deposited.

**Vendor Disbursements:** One individual was primarily responsible for all aspects of disbursing funds. The Town did identify a control in place; however, we determined that control was not properly implemented because the Town Council was not reviewing claims during the audit period until after checks had already been written and mailed.

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

Payroll Disbursements: One individual was primarily responsible for processing payroll. There were no controls in place, such as an oversight, review, or approval process, to ensure that payroll disbursements were proper.

Financial Close and Reporting: One individual was primarily responsible for submitting the Annual Financial Report (AFR). The AFR was the source of the financial statements. There were no controls in place, such as an oversight, review, or approval process, to ensure the AFR was 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. . . ."

***LATE SUBMISSION OF ANNUAL FINANCIAL REPORT***

The Town's AFRs for 2016 and 2017 were not filed electronically until October 6, 2017, and July 24, 2018, respectively, which was 219 and 145 days past the respective due date.

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](#)."

***LATE SUBMISSION OF CERTIFIED REPORT***

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) for 2013, 2016, and 2017 was not filed electronically until February 22, 2014, October 10, 2017, and February 14, 2018, respectively, which was 22, 252, and 14 days past the respective due date.

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

Indiana Code 5-11-13-1(a) states in part:

"Every . . . town . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents...and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The Clerk-Treasurer certified on the AFRs for 2016 and 2017 that the Town had adopted the minimum internal control standards as required by statute and that all personnel had received training concerning the internal control standards adopted by the Town. However, during the audit, the Clerk-Treasurer indicated that the Town had not adopted the minimum internal control standards and that all personnel had not received the required training. Therefore, the AFRs submitted were not correct.

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](#)."

CLERK-TREASURER  
TOWN OF LAUREL  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Linda Adams, Clerk-Treasurer; Rebecca Jones, President of the Town Council; and Donna Hewitt, Deputy Clerk-Treasurer.

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TOWN COUNCIL  
TOWN OF LAUREL

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AUDIT RESULTS AND COMMENTS

***ADOPTION OF INTERNAL CONTROL STANDARDS***

The Town Council did not adopt an internal control policy as required by Indiana Code 5-11-27(g).

Indiana 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."

***TRAINING ON INTERNAL CONTROL STANDARDS***

The Town Council failed to ensure that personnel received the required training on internal control standards required by Indiana Code 5-11-1-27(g).

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

". . . the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF LAUREL  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Linda Adams, Clerk-Treasurer; Rebecca Jones, President of the Town Council; and Donna Hewitt, Deputy Clerk-Treasurer.