

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LOWELL

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
08/23/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-16 to 12-31-19
President of the Town Council	LeAnn Angerman Christopher Salatas	01-01-17 to 12-31-17 01-01-18 to 12-31-19
Town Judge	Christopher Buckley	01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LOWELL, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lowell (Town), for the period from January 1, 2017 to December 31, 2018. 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 Statement Audit Report of the Town, which provides our opinion on the Town's financial statement. 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 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

July 9, 2019

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TOWN COURT
TOWN OF LOWELL

TOWN COURT
TOWN OF LOWELL
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Town Court related to financial transactions and reporting. The Town Court had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments, Receipts, and Disbursements

One Town Court employee was responsible for the issuance of receipts and the preparation of the daily deposit without a proper system of oversight or review.

Another Town Court employee was responsible for the manual Town Court ledger, posting of the receipts, and the preparation and posting of all disbursements, as well as the preparation of the monthly bank reconcilements. An oversight or review process of the posting of the receipts, deposits, disbursements, and the monthly bank reconcilements by an individual other than the preparer was not performed.

Financial Reporting

One Town Court employee computed the year-end financial information from the manual Town Court ledger. An oversight or review process of the year-end financial information by an individual other than the preparer was not performed.

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. . . ."



July 19, 2019

Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2769

Re: Lowell Town Court Audit Ending July 9, 2019 – **OFFICIAL RESPONSE**

To Whom it May Concern:

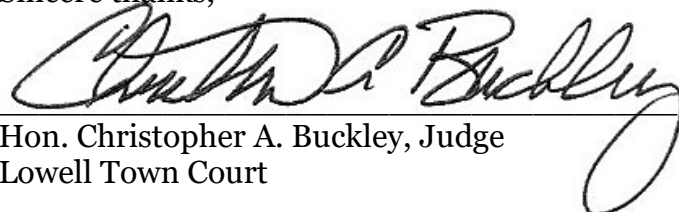
I, the undersigned, have been duly elected to serve as the Town Judge for the Lowell Town Court in Lowell, Indiana since January 11, 2016. It has come to my attention via the audit that was performed by the Indiana State Board of Accounts ending July 9, 2019 that insufficient internal control standards were not met in the results of the audit.

More specifically, it was cited in the *Report* dated July 9, 2019, “The Town Court had not designed or implemented proper segregation of duties related to the Town Court’s cash and investments, receipts, disbursements, and financial reporting.”

In response to the above finding, effective immediately, I am putting into place a review process whereby I, as Town Judge, will personally review all financial transactions made by Nancy Morgan, Clerk, who oversees the day-to-day financial reporting of the Court. Ideally, the Court would have additional staff who could review the work of this financial reporting supervisor, but due to staffing constraints I will have to perform this function directly myself, since I am the only member of the Court who is not involved in the financial transactions of the Court. I will develop forms to both initial and sign indicating my review and acceptance of relevant financial records and reporting.

I hope this modification in process will satisfy the minimum internal control standards as indicated in the July 9, 2019 *Report*. Please feel free to contact me should you have any questions or concerns.

Sincere thanks,



Hon. Christopher A. Buckley, Judge
Lowell Town Court

cj/CAB

TOWN COURT
TOWN OF LOWELL
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2019, with Judith Walters, Clerk-Treasurer; Will Farrellbegg, Vice President of the Town Council; and Carrie Josleyn, Town Court Clerk.

TOWN COUNCIL
TOWN OF LOWELL

TOWN COUNCIL
TOWN OF LOWELL
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B49109.

The Town did not provide documentation that all required personnel had received the required internal control training.

The Town's Clerk-Treasurer's office completed training over internal control standards; however, signed certifications of completion of the training was not provided. The Town Council, Town Manager, Town Court, and all other required personnel have not completed the training over internal control standards, as 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 LOWELL
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2019, with Judith Walters, Clerk-Treasurer, and Will Farrellbegg, Vice President of the Town Council.

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CLERK-TREASURER
TOWN OF LOWELL

CLERK-TREASURER
TOWN OF LOWELL
AUDIT RESULT AND COMMENT

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Town failed to provide certification of any training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Yet, the Clerk-Treasurer certified on the Indiana Gateway for Government Units financial reporting system on February 23, 2018, and February 25, 2019, 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](#)."

CLERK-TREASURER
TOWN OF LOWELL
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2019, with Judith Walters, Clerk-Treasurer, and Will Farrellbegg, Vice President of the Town Council.