

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LONG BEACH

LAPORTE COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED

09/13/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William DeFuniak	01-01-12 to 12-31-19
President of the Town Council	Robert Schaefer Peter Byvoets Bob Lemay	01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-19
President of the Water Utility Board	Richard Blank	01-01-15 to 12-31-19
Utility Office Manager	Barbara Stupeck Angela Palmieri	01-01-15 to 02-28-19 03-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF LONG BEACH, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Long Beach (Town), for the period from January 1, 2015 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 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 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 30, 2019

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CLERK-TREASURER
TOWN OF LONG BEACH

CLERK-TREASURER
TOWN OF LONG BEACH
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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

Cash and Investments - Town

The Town did not have effective controls in place to ensure the accuracy of the bank reconciliations. The Deputy Clerk prepared the bank reconciliations and the Clerk-Treasurer reviewed the bank reconciliations; however, there was no documentation of the review and any review performed did not detect errors.

Cash and Investments - Water Utility

The Water Utility did not have controls in place to ensure the accuracy of the bank reconciliations. The Office Manager prepared the bank reconciliations without proper oversight or review.

Receipts - Water Utility

The Water Utility did not have controls in place to ensure the accuracy of the receipts. The Office Manager collected funds, issued receipts, created the deposit slip, and recorded the receipts without a proper oversight or review.

Financial Reporting

The Town did not have controls in place to ensure the accuracy of the financial information entered into the Indiana Gateway for Government Units' (Gateway) financial reporting system, which was the source of the financial statements. One person entered the information into Gateway without proper oversight or review.

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. . . .

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

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. . . ."

BANK ACCOUNT RECONCILIATIONS

The reconciliations of the bank account balances were conducted; however, the reconciliations contained variances each month that were not identified. The reconciled bank balances did not agree to the fund balances for the audit period.

For December 31, 2015, 2016, 2017, and 2018, the balance of the funds, per the ledger, exceeded the reconciled bank balance by \$136,486, \$153,004, \$152,804, and \$151,025, respectively.

The bank account reconciliations for the Water Utility were performed monthly. The reconciled balances for December 31, 2016, and December 31, 2018, agreed to the ledger balances; however, they did not agree to the balances reported in the financial statements.

For December 31, 2016, the reconciled bank balance exceeded the ledger balance by \$65,949, and for December 31, 2018, the ledger balance exceeded the reconciled bank balance by \$78,063.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Town certified on Gateway that employees were trained on internal control standards; however, no documentation existed that employees were trained.

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 report 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](#)."



BILL DE FUNIAK
Clerk-Treasurer

2400 Oriole Trail
Long Beach, IN 46360-1614
TELEPHONE 219-874-6616

August 9, 2019

Mr. Paul Joyce

State Examiner

Indiana State Board of Accounts

302 W. Washington Street

Suite E418

Indianapolis, IN 46204

Dear Mr. Joyce,

The Town of Long Beach Town Council, Water Board and Clerk-Treasurer are in receipt of your audit delivered on July 30, 2019. We accept fully all of your findings and have reviewed procedures and courses of action to remediate issues identified in your report.

Attached are specific responses to items identified as needing correction or strengthening.

Sincerely,

William S. de Funiak

Clerk-Treasurer



TOWN COUNCIL

PETER BYVOETS
BOB LEMAY
NICK MEYER
JANE NEULIEB
JOY SCHMITT

OFFICIAL RESPONSE

August 7, 2019

OFFICIAL RESPONSE TO AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Cash and Investments – Town and Water Utility

The Town will have an individual separate from the person preparing the monthly bank reconciliations review the monthly bank reconciliations and initial the reconciliations to document the review.

Financial Reporting

The Town will maintain the sources documents for entering of the annual financial information into the Indiana Gateway for Government Units' (Gateway) financial reporting system and have an individual separate from the person entering the information into Gateway review the information and also initial the documents as having reviewed them.

BANK ACCOUNT RECONCILIATIONS

Town will contract with an outside accounting firm and its software vendor to identify a corrective action plan to adjust the ledger balances with the reconciled bank statements for Town and Water Utility funds.

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Town employees had previously trained on internal control standards, however, such training was not documented. All Town employees who handle cash or maintain the financial books and records will all be trained on internal control standards and will sign a document showing date when such training occurred and will be filed electronically as prescribed under IC 5-14-3.8-7.

TRAINING ON INTERNAL CONTROL STANDARDS

All Town and Utility employees will receive training on internal control standards and procedures as specified in Indiana 5-11-1-27(g). Town Council and administration shall ensure that the internal control standards and procedures developed under subsection (e) will be adopted and executed.

William S. DeFuniak
William DeFuniak, Clerk-Treasurer

Robert Lemay / RL
Robert Lemay, Town Council President

CLERK-TREASURER
TOWN OF LONG BEACH
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with William DeFuniak, Clerk-Treasurer; Deanna Carlson, Deputy Clerk; Angela Palmieri, Utility Office Manager; Bob Lemay, President of the Town Council; Peter Byvoets, Town Council member; Richard Blank, President of the Water Utility Board; and Laurel Kuczynski, Water Board member.

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TOWN COUNCIL
TOWN OF LONG BEACH

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TOWN OF LONG BEACH
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

There was no documentation that certified that the Town and Utility employees received training on internal controls standards.

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."



BILL DE FUNIAK
Clerk-Treasurer

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William S. de Funiak

Clerk-Treasurer



TOWN COUNCIL

OFFICIAL RESPONSE

August 7, 2019

OFFICIAL RESPONSE TO AUDIT RESULTS AND COMMENTS

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William S. DeFuniak
William DeFuniak, Clerk-Treasurer

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TOWN OF LONG BEACH
EXIT CONFERENCE

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