

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GRIFFITH

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
10/10/2019

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
Sanitary District:	
Audit Results and Comments:	
Sanitary District Board	10
Approval of Accounts Payable Vouchers.....	11
Sanitary District Commissioners Surety Bond	11
Exit Conference	12
Storm Water Board of Directors:	
Audit Results and Comments:	
Storm Water Board of Directors	14
Approval of Accounts Payable Vouchers.....	14
Exit Conference	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	John Volkmann	01-01-17 to 12-31-19
President of the Town Council	Rick Ryfa	01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

August 15, 2019

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF GRIFFITH

CLERK-TREASURER
TOWN OF GRIFFITH
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Town related to financial transactions. The Town had not separated incompatible activities related to receipts and payroll disbursements.

The Town had not implemented proper segregation of duties related to receipts and payroll disbursements. Officials stated that a review process had been established to ensure that receipts and payroll disbursements were posted properly and accurately; however, evidence of the oversight or approval process was not documented.

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 GRIFFITH
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2019, with John Volkmann, Clerk-Treasurer; Rick Ryfa, President of the Town Council; and Nancy Bozinovich, Deputy Clerk-Treasurer.

(This page intentionally left blank.)

SANITARY DISTRICT
TOWN OF GRIFFITH

SANITARY DISTRICT
TOWN OF GRIFFITH
AUDIT RESULTS AND COMMENTS

SANITARY DISTRICT BOARD

The Town established a Sanitary District Board of Commissioners (Sanitary District Board), but did not hold regular meetings. Once established, a Sanitary District Board shall hold regular meetings to manage and control all sewage works of the Town, and account for all money and property under the Commissioner's control in accordance with Indiana Code.

Minutes for the months of June, August, and October 2017, as well as January, February, June, and July 2018, indicated that the Sanitary District Board could not meet due to the lack of a quorum or agenda items. The Sanitary District Board also did not meet in November or December of 2018 and documentation could not be provided for the cancelation of those meetings. Lastly, the Sanitary District Board did not hold a meeting from January to July 2019.

Indiana Code 36-9-25-6(b) states:

"A majority of the members of the board constitutes a quorum, and the concurrence of a majority is necessary for any action of the board. The board shall hold regular meetings at the times it fixes and may call special meetings at the times and upon the notice that it fixes by rule or resolution. All meetings must be open to the public. The board may adopt the rules that it considers necessary to conduct its meetings and business and to control and manage the property under its jurisdiction."

Indiana Code 36-9-25-9 states in part:

"The board shall manage and control all sewage works of the district. The board has concurrent power with the works board of the municipality to construct, reconstruct, maintain, repair, and regulate the use of all connecting and intercepting sewers. . . ."

SANITARY DISTRICT
TOWN OF GRIFFITH
AUDIT RESULTS AND COMMENTS\
(Continued)

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

The claims or accounts payable vouchers supporting disbursements of the Sanitary District (which includes the Wastewater Utility funds) were not approved for payment by the Sanitary District Board as required by Indiana Code. The claims or accounts payable vouchers for the Sanitary District (which includes the Wastewater Utility) funds were approved by the Town Council.

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. . . ."

SANITARY DISTRICT COMMISSIONERS SURETY BOND

The Sanitary District Commissioners were not bonded for faithful performance of their duties in accordance with Indiana Code.

Indiana Code 36-9-25-3(d) states:

"Each commissioner shall also execute a bond in the penal sum of five thousand dollars (\$5,000) payable to the state and conditioned upon the faithful performance of the commissioner's duties and the faithful accounting for all money and property that comes under the commissioner's control. The bond must be approved by the municipal executive."

SANITARY DISTRICT
TOWN OF GRIFFITH
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2019, with John Volkmann, Clerk-Treasurer; Rick Ryfa, President of the Town Council; and Nancy Bozinovich, Deputy Clerk-Treasurer.

STORM WATER BOARD OF DIRECTORS
TOWN OF GRIFFITH

STORM WATER BOARD OF DIRECTORS
TOWN OF GRIFFITH
AUDIT RESULTS AND COMMENTS

STORM WATER BOARD OF DIRECTORS

The Town established a Storm Water Board of Directors in accordance with Indiana Code 8-1.5-5. The Storm Water Board of Directors did not meet at any time during 2017 or 2018. The Storm Water Board of Directors did not hold a meeting from January to July 2019.

Indiana Code 8-1.5-5-4(b) states: "If the legislative body of a municipality adopts the provisions of this chapter by ordinance, a department of storm water management is established and is controlled by a board of directors."

Indiana Code 8-1.5-5-6 states in part: "The board has the powers and duties prescribed by IC 8-1.5-3-4(a). . . ."

Indiana Code 8-1.5-3-4(a) states in part: "The board has general supervisory powers over the utilities under its control, with responsibility for the detailed supervision of each utility to be vested in its superintendent, who is responsible to the board for the business and technical operation of the utility. . . ."

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

The claims or accounts payable vouchers supporting disbursements of the Storm Water District were not approved by the Storm Water Board of Directors as required by Indiana Code. The claims or accounts payable vouchers for the Storm Water District funds were approved by the Town Council.

Indiana Code 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid."

STORM WATER BOARD OF DIRECTORS
TOWN OF GRIFFITH
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2019, with John Volkmann, Clerk-Treasurer; Rick Ryfa, President of the Town Council; and Nancy Bozinovich, Deputy Clerk-Treasurer.