

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAPEL

MADISON COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
12/05/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis Molina	01-01-16 to 12-31-19
President of the Town Council	Michael Cates Debra Wainscott	01-01-17 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 LAPEL, MADISON COUNTY, INDIANA

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

November 18, 2019

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CLERK-TREASURER
TOWN OF LAPEL

CLERK-TREASURER
TOWN OF LAPEL
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

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

Receipts

Receipts are reviewed and kept in the bank reconciliation folders along with deposit slips. Tangible evidence that would suggest that there were internal controls in place, such as oversight, review, or approval of the daily receipts book was not evident.

Financial Close and Reporting

The Clerk-Treasurer and Deputy Clerk-Treasurer both prepared and reviewed Annual Financial Report data before submitting the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement. The Town had not implemented a system of oversight, review, or approval process.

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 LAPEL
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2019, with Paula Lee, Deputy Clerk-Treasurer, and Debra Wainscott, President of the Town Council.