

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CULVER

MARSHALL COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
12/06/2019



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
Official Response.....	7
Exit Conference .....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Heim	01-01-12 to 12-31-19
President of the Town Council	Virginia B. Munroe	01-01-15 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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF CULVER, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Culver (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/](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 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

October 21, 2019

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF CULVER

CLERK-TREASURER  
TOWN OF CULVER  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS***

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

One employee collected funds, issued receipts, recorded receipts, prepared the deposit slip, and deposited the collections at the bank. There was no evidence of an oversight or review 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. . . ."



LITTLE TOWN ON LAKE MAXINKUCKEE

October 22, 2019

To whom it may concern:

I would like to respond to the Audit Results and comments that "One employee collected funds, issued receipts, recorded receipts, prepared the deposit slip, and deposited the collections at the bank. There was no evidence of an oversight review process."

When present, either the Town Manager or Clerk-Treasurer reviews the deposit to be sure it is intact and matches the receipts and utilities payment report generated by the utility billing system. The deposit ticket is initialed as well as the payment report indicating it agrees. The internal controls are lacking on days in which either the deputy clerk is alone in the office at the end of the day or the deputy clerk has the day off and the clerk-treasurer is in the office alone and prepares the deposit. An additional person is not present to conduct the review and initial that it has been completed. When this is the case, most times a note is written indicating whoever prepared the deposit was alone in the office. We will continue to indicate when there is not someone available to review before the deposit is made but will take the additional step to review the deposit as soon as someone is available to do so and indicate that by initialing the deposit and the payment report.

While the deputy clerk collects funds, issues receipts, records receipts, prepares the deposit slip, and deposits the collections, the clerk-treasurer provides a review in the reconciling process.

Thank you for your consideration in this matter.

Sincerely,

Karen Heim  
Clerk-Treasurer

CLERK-TREASURER  
TOWN OF CULVER  
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2019, with Karen Heim, Clerk-Treasurer; Virginia B. Munroe, President of the Town Council; Bill Githens, Town Council member; Rich West, Town Council member; and Jonathan Leist, Town Manager.