

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAKEVILLE

ST. JOSEPH COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
12/09/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls .....	6
Bank Account Reconciliations .....	6-7
Receipts .....	7
Disbursements .....	7-8
Exit Conference .....	9

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cindy McQueen	01-01-12 to 11-04-16
	Karen Iovino (interim)	11-05-16 to 01-02-17
	Nancy Edel	01-03-17 to 04-03-17
	Karen Iovino (interim)	04-04-17 to 07-10-17
	Shirley Rynearson	07-11-17 to 06-25-19
Lori Kelly (interim)	06-26-19 to 12-31-19	
President of the Town Council	Martha Tyler	01-01-15 to 10-04-15
	Karen Iovino	10-05-15 to 12-31-15
	April Hathaway	01-01-16 to 12-31-19
Utility Office Manager	Dan Casad	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 LAKEVILLE, ST. JOSEPH COUNTY, INDIANA

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

October 28, 2019

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF LAKEVILLE

CLERK-TREASURER  
TOWN OF LAKEVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

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

*Cash and Investments*

The Town did not have effective controls in place to ensure that bank reconciliations were accurate. The oversight and review process was ineffective to ensure cash and investments were properly completed.

*Receipts and Disbursements*

The Town did not have adequate controls in place to ensure accurate recording and reporting of receipts and disbursements. There was no documentation of an oversight or review process.

*Criteria*

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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The Town reconciled to unidentified differences each month throughout 2015, 2016, and 2017. Unidentified differences of \$58,499, \$19,599, and \$28,524 existed between the bank balances and the financial ledgers as of December 31, 2015, 2016, and 2017, respectively. The unidentified difference between the reported cash and investments balance and the depository balance was \$28,524 throughout 2018, which was material to the financial statements.

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

*Criteria*

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."

**RECEIPTS**

*Condition and Context*

The Town did not record receipts timely. Of the receipts tested, 21 percent were recorded between 7 and 85 days after collections. All Police Department's receipts were remitted late to the Clerk-Treasurer.

The October 2015 state tax distribution designated for the Motor Vehicle Highway fund and Local Road And Street fund of \$2,240 and \$911, respectively, were posted to the General fund.

The February 2016 state tax distribution designated for the Motor Vehicle Highway fund and Local Road And Street fund of \$1,784 and \$828, respectively, were posted to the opposite funds.

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**DISBURSEMENTS**

*Condition and Context*

Several issues were found in tests of disbursements:

- An examination of records fee of \$7,116 incurred in 2016 was not recorded until February 2017.
- Two debt payments were paid late. One payment was made in 2017, but was due in 2016.
- One payment for federal payroll tax withholdings made in August 2017 was not recorded until November 2017.

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

- One employee was paid for hours worked without providing record of hours worked in 2015 through 2016.
- Records of compensatory time earned and used by employees in 2018 was not maintained.
- Multiple employees' time cards were not signed by the appropriate official or department head in 2018. The Town's internal control policy stated: "The Town Manager will approve and sign each time sheet before turning the time sheet in to the Clerk-Treasurer's office."

*Criteria*

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF LAKEVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Lori Kelly, interim Clerk-Treasurer and Town Council member; Shirley Ryneerson, former Clerk-Treasurer; Cindy McQueen, former Clerk-Treasurer; and Cindy McCan, Deputy Clerk-Treasurer.