

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CEDAR LAKE

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**  
12/16/2019



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>      | <u>Term</u>          |
|----------------------------------|----------------------|----------------------|
| Clerk-Treasurer                  | Amy Gross            | 01-01-17 to 08-17-18 |
|                                  | Margo Nagy (interim) | 08-18-18 to 08-30-18 |
|                                  | Jennifer Sandberg    | 08-31-18 to 12-31-19 |
| President of the<br>Town Council | Randell Niemeyer     | 01-01-17 to 09-17-18 |
|                                  | Greg Parker          | 09-18-18 to 12-31-18 |
|                                  | John Foreman         | 01-01-19 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 CEDAR LAKE, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Cedar Lake (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/](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 30, 2019

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CLERK-TREASURER  
TOWN OF CEDAR LAKE

CLERK-TREASURER  
TOWN OF CEDAR LAKE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment appeared in prior Report B49163, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial reporting. The Town had not separated incompatible activities related to reporting. The 2018 Annual Financial Report, which was the basis for the Town's financial statement, was prepared by the Clerk-Treasurer without a proper system of oversight or review before submission.

*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. . . ."

**TEMPORARY TRANSFER OF FUNDS**

*Condition and Context*

In September 2016, the Town Council approved Resolution 1174 authorizing a \$576,300 temporary loan from the DSB-WWTP Special fund to the Y2016 Road Project fund. The purpose of the loan was to process and pay design engineering services and related expenses to prepare the road improvement project for bidding and construction. The loan was to be repaid upon completion of the anticipated capital financing.

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

The Town did not receive proceeds from the anticipated capital financing for a road project in 2016, 2017, or 2018. By December 31, 2018, the temporary loan proceeds received from the DSB-WWTP Special fund were disbursed for the road improvement project. The Town did not repay the temporary loan to the DSB-WWTP Special fund.

*Criteria*

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

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)

**Town of Cedar Lake**  
**Office of the Clerk-Treasurer**  
7408 Constitution Ave – PO Box 707 – Cedar Lake, IN 46303  
Tel (219) 374-7000 – Fax (219) 374-8588



November 8, 2019

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765  
[ldavid@sboa.in.gov](mailto:ldavid@sboa.in.gov)

Re: Official Response to Examination for January 1, 2017 through December 31, 2018

The Town of Cedar Lake wishes to file an official response to be included in the audit report by the State Board of Accounts as discussed at the exit conference on October 30, 2019. The Town works diligently to update and/or implement controls after weaknesses are identified.

**Internal Controls for Annual Financial Report**

New controls will be implemented so that senior staff members will be required to participate in the filing and review of the Annual Financial Report. These controls will be in place for the 2019 Annual Financial Report due February 29, 2020.

**Internal Controls for Temporary Loan**

This project occurred under my predecessor. I have reviewed the documentation and consulted with the Town Administrator and the Town's financial advisor. A resolution will be drafted for Town Council consideration that rescinds the payback requirement of Resolution 1174, a temporary loan that amounted to \$576,300. Repayment was not required as the amount of funds were applied to the sewer utility portion of the total project costs. The remainder of the sewer project portion was paid from sewer utility cash on hand. This item is anticipated to be addressed and completed prior to December 31, 2019.

Respectfully,

Jennifer N. Sandberg, IAMC  
Clerk-Treasurer  
Town of Cedar Lake

CC: File  
Town Administrator  
Sue Haase, London Witte Group

CLERK-TREASURER  
TOWN OF CEDAR LAKE  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2019, with Jennifer Sandberg, Clerk-Treasurer; Richard Sharpe, Town Council member; Robert Carnahan, Town Council member; and Jill Murr, Town Administrator.

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TOWN COUNCIL  
TOWN OF CEDAR LAKE

TOWN COUNCIL  
TOWN OF CEDAR LAKE  
AUDIT RESULT AND COMMENT

**TEMPORARY TRANSFER OF FUNDS**

*Condition and Context*

In September 2016, the Town Council approved Resolution 1174 authorizing a \$576,300 temporary loan from the DSB-WWTP Special fund to the Y2016 Road Project fund. The purpose of the loan was to process and pay design engineering services and related expenses to prepare the road improvement project for bidding and construction. The loan was to be repaid upon completion of the anticipated capital financing.

The Town did not receive proceeds from the anticipated capital financing for a road project in 2016, 2017, or 2018. By December 31, 2018, the temporary loan proceeds received from the DSB-WWTP Special fund were disbursed for the road improvement project. The Town did not repay the temporary loan to the DSB-WWTP Special fund.

*Criteria*

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"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

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- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

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)

**TOWN OF CEDAR LAKE**

**Office of the Town Council**

7408 Constitution Ave – PO Box 707 – Cedar Lake, IN 46303

Tel (219) 374-7400 – Fax (219) 374-8588



November 7, 2019

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

Re: Examination for January 1, 2017 through December 31, 2018

The Town of Cedar Lake seeks to file an official response to be included in the audit report by the State Board of Accounts as discussed at the recent exit conference on October 30, 2019. The Town acknowledges the information provided and will work diligently to respond appropriately and proceed.

Temporary Transfer of Funds

A Resolution will be drafted for Town Council consideration that rescinds the payback requirement of the original sewer temporary loan Resolution 1174 that amounted to \$576,300 since repayment was not required as this amount of funds was applied to the sewer utility portion of the total project costs. The remainder of Sewer project portion was paid from sewer utility cash on hand. This matter is anticipated to be addressed and completed prior to year-end.

Respectfully,

A handwritten signature in blue ink, appearing to read "John C. Foreman", with a long horizontal flourish extending to the right.

John C. Foreman  
Town Council President

CC: File  
Town Council  
Clerk-Treasurer  
Town Attorney

TOWN COUNCIL  
TOWN OF CEDAR LAKE  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2019, with Jennifer Sandberg, Clerk-Treasurer; Richard Sharpe, Town Council member; Robert Carnahan, Town Council member; and Jill Murr, Town Administrator.