

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SCHNEIDER

LAKE COUNTY, INDIANA

January 1, 2016 to December 31, 2018



**FILED**  
12/23/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls - Financial Transactions and Reporting.....	6-7
Exit Conference .....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny Beier	01-01-16 to 12-31-19
President of the Town Council	Stephen Wilson Jack Jeralds	01-01-16 to 12-31-17 01-01-18 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 SCHNEIDER, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Schneider (Town), for the period from January 1, 2016 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

November 14, 2019

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF SCHNEIDER

CLERK-TREASURER  
TOWN OF SCHNEIDER  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING***

A similar comment also appeared in prior Report B46844, entitled *FINDING 2015-001 FINANCIAL TRANSACTIONS AND REPORTING*.

*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, including receipts, disbursements, and financial closing and reporting.

*Receipts*

A process to segregate duties for the verification of the existence and occurrence of collections was established. However, documentation of the verification process over the daily receipts was not provided.

*Financial Reporting*

The financial information was prepared and electronically submitted through the Indiana Gateway for Government Units financial reporting system, which is the source of the financial statements, without an oversight or review process to prevent, or detect and correct, errors. The Town did not have procedures in place to ensure that the financial information recorded and reported was accurate and complete.

*State Revolving Fund (SRF) Trust - Receipts and Disbursements*

The failure to establish a system of internal controls enabled material misstatements to remain undetected for receipts and disbursements related to the State Revolving Fund (SRF) loan transactions processed through trust accounts. The SRFDW Bond Anticipation Note, SRFWW 16, and SRFWW Construction funds loan draws and payments were not posted to the ledger, nor reported on the financial statements.

The SRFDW Bond Anticipation Note fund receipts and disbursements were both understated by \$129,277, \$85,380, and \$2,400 for 2016, 2017, and 2018, respectively.

The SRFWW 16 fund receipts and disbursements were both understated by \$146,814 and \$3,200 for 2016 and 2018, respectively.

The SRFWW Construction fund receipts and disbursements were both understated by \$418,754 and \$231,246 for 2017 and 2018, respectively.

Adjustments were proposed, approved by the Town, and made to the financial statements.

CLERK-TREASURER  
TOWN OF SCHNEIDER  
AUDIT RESULT AND COMMENT  
(Continued)

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER  
TOWN OF SCHNEIDER  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with Jenny Beier, Clerk-Treasurer; Jack Jerals, President of the Town Council; Stephen Wilson, Town Council member; Crista Stavros, Town Council member; and Katrina Ott, Deputy Clerk-Treasurer.