B54828

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CORUNNA

DEKALB COUNTY, INDIANA

January 1, 2017 to December 31, 2018

FILED
04/07/2020

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Cassandra Lynch	01-01-16 to 12-31-23
President of the Town Council	Steve Faulkner	01-01-17 to 12-31-20

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF CORUNNA, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Corunna (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 opinions 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 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

March 10, 2020

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CLERK-TREASURER
TOWN OF CORUNNA

INTERNAL CONTROLS

A similar comment appeared in prior Report B48628, entitled *INTERNAL CONTROLS.*

Condition and Context

The Town did not have a proper system of internal control over financial close and reporting to prevent, or detect and correct, errors on the financial statement. The Clerk-Treasurer prepared and submitted the Annual Financial Report into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. There was no evidence of an oversight, review, or approval process to ensure that the information was accurate prior to 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. . . ."

RECEIPT ISSUANCE

Condition and Context

Receipts were not issued for collections posted in the Town's fund ledger.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PRESCRIBED FORMS - ACCOUNTS PAYABLE VOUCHERS

Condition and Context

Accounts payable vouchers were not prepared for any disbursements examined.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

Condition and Context

The following County distributions were incorrectly recorded in the Town's fund ledger:

1. The June 2017 Commercial Vehicle Excise Tax (CVET) distribution of $210 was posted into the Cedit Capital Projects fund instead of the County determined fund allocations to the General fund, Motor Vehicle Highway fund, and Cumulative Capital Development fund.

2. The June 2017 Motor Vehicle Highway License Excise and Property Tax distributions of $330 and $5,475, respectively, were recorded in the General fund instead of the Motor Vehicle Highway fund. The Town was requested to make a correcting entry to move the sewer liens to the proper fund.

3. The December 2017 Commercial Vehicle Excise Tax (CVET) distribution of $210 was posted to the Cumulative Capital Development fund instead of the County determined fund allocations to the General fund, Motor Vehicle Highway fund, and Cumulative Capital Development fund. In addition, another $210 was posted to the Cumulative Capital Development fund that should have been posted to the General fund.

4. The December 2018 Commercial Vehicle Excise Tax (CVET) distribution of $203 was posted into the LOIT fund instead of the County determined fund allocations to the General fund, Motor Vehicle Highway fund, and Cumulative Capital Development fund.

Criteria

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)

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL APPROVAL

Condition and Context

Claims were paid by the Clerk-Treasurer prior to Town Council approval. The paid claims were subsequently submitted to the Town Council at the next scheduled meeting and approved; however, the authority to pay certain claims in advance of Town Council approval would be through an adopted ordinance. Such an ordinance did not exist.

Criteria

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-5-4-12(b) states in part:

"Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of board allowance for the following types of expenses if the town legislative body has adopted an ordinance under subsection (a): . . ."

CAPITAL ASSETS

The same comment also appeared in prior Report B48628.

Condition and Context

The Clerk-Treasurer had not properly maintained a complete inventory of capital assets owned. Capital asset additions and deletions were not recorded on the capital asset ledger.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CORUNNA
EXIT CONFERENCE

The contents of this report were discussed on March 10, 2020, with Cassandra Lynch, Clerk-Treasurer; Steve Faulkner, President of the Town Council; and Bobby Lynn Bizwell, Town Council member.

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TOWN COUNCIL
TOWN OF CORUNNA

ADOPTION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council had not adopted the minimum level of internal control standards as required by statute. The Town Council did not provide training to personnel concerning internal control standards and procedures during the audit period.

Criteria

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

INTERNAL CONTROLS

Condition and Context

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

Payroll Disbursements

Employee timesheets for the Town were not approved by another individual. There is no personnel policy as to who should approve the timesheets.

Criteria

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