

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LIGONIER

NOBLE COUNTY, INDIANA

January 1, 2017 to December 31, 2018



**FILED**  
04/14/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara J. Hawn	01-01-16 to 12-31-23
Mayor	Patricia Fisel	01-01-16 to 12-31-23
President of the Board of Public Works and Safety	Patricia Fisel	01-01-16 to 12-31-23
President Pro Tempore of the Common Council	Kenneth Schuman	01-01-17 to 12-31-20
Superintendent of Water Utility	Jeffery Boyle	01-01-17 to 12-31-20
Superintendent of Wastewater Utility	Donald Skinner Kenneth Sprague	01-01-17 to 04-22-17 04-23-17 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF LIGONIER, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Ligonier (City), 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 City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City'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, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

April 2, 2020

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CLERK-TREASURER  
CITY OF LIGONIER

CLERK-TREASURER  
CITY OF LIGONIER  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The Clerk-Treasurer prepared monthly bank reconcilements that were reviewed and approved by the Common Council each month. The approved bank reconcilements presented for audit at December 31, 2017 and 2018, did not include investments of \$670,700 and \$967,163, respectively. While there were segregation of duties in place, the control activities were not sufficient to detect the omission of investments within the monthly bank reconcilements.

*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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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. . . ."

**INTERNAL CONTROLS**

*Condition and Context*

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The City has not separated incompatible activities related to receipts and disbursements of the financial statement. The failure to establish these controls could enable material misstatements to be undetected.

CLERK-TREASURER  
CITY OF LIGONIER  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Receipts*

An excel worksheet was used to track receipts for entry into the accounting program and verifying deposits online. There was no evidence of a review or approval process prior to the deposit and recording of receipts.

*Vendor Disbursements*

The Clerk-Treasurer prepared Accounts Payable Vouchers and the Deputy Clerk verified the Accounts Payable Vouchers to the invoices; however, the segregation of duties were not documented.

*Payroll Disbursements*

Payroll was generated and reviewed by two individuals; however, the segregation of duties were not documented. Furthermore, the payroll report that was reviewed did not detail the funds employees were being paid from.

*Criteria*

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CLERK-TREASURER  
CITY OF LIGONIER  
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2020, with Barbara J. Hawn, Clerk-Treasurer; Patricia Fisel, Mayor; and Kenneth Schuman, President Pro Tempore of the Common Council.