

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LYNN

RANDOLPH COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
05/04/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kaylene Straley	01-01-16 to 12-31-23
President of the Town Council	Judy Mullin	01-01-17 to 12-31-17
	Kevin Slick	01-01-18 to 12-31-19
	Art Kirtley	01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE TOWN OF LYNN, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lynn (Town), for the period from January 1, 2017 to December 31, 2019. 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 opinions on the Town's financial statements. 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

April 28, 2020

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CLERK-TREASURER
TOWN OF LYNN

CLERK-TREASURER
TOWN OF LYNN
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING***

A similar comment appeared in the prior Report B49690, entitled *INTERNAL CONTROLS*.

Condition and Context

The Clerk-Treasurer and the Deputy Clerk-Treasurer collected money, issued receipts, deposited the collections, reconciled the information in the accounting ledger to the bank, completed the annual close-out procedures, and entered the required information into the Annual Financial Report (AFR), all without any oversight, approval, or other internal control process to ensure the accuracy of the information entered into the AFR.

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. . . ."

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

FINANCIAL TRANSACTIONS AND REPORTING - TRUST ACCOUNTS

Condition and Context

The Town's financial records did not include all of the Town's funds, and as a result the Annual Financial Report was incorrect. The following three trust accounts related to the Sewage Utility's State Revolving Fund loan were excluded from the Town's financial records: SRFWW Bond & Interest, SRFWW Debt Service Reserve, and SRFWW Loan Proceeds.

Audit adjustments were proposed and approved by the Town.

Criteria

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)

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 LYNN
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2020, with Kaylene Straley, Clerk-Treasurer; Sharon Abshear, Deputy Clerk-Treasurer; Art Kirtley, President of the Town Council; and Judy Mullin, Town Council member.

TOWN COUNCIL
TOWN OF LYNN

TOWN COUNCIL
TOWN OF LYNN
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER CASH AND INVESTMENTS,
RECEIPTS, AND FINANCIAL CLOSE AND REPORTING**

Condition and Context

The Town Council had not established compensating controls over the significant areas of cash and investments, receipts, and financial close and reporting. The Clerk-Treasurer and the Deputy Clerk-Treasurer collected money, issued receipts, deposited the collections, reconciled the information in the accounting ledger to the bank, completed the annual close-out procedures, and entered the required information into the Annual Financial Report (AFR), all without any oversight, approval, or other internal control process to ensure the accuracy of the information entered into the AFR.

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:

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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. . . ."

TOWN COUNCIL
TOWN OF LYNN
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Town Council had not ensured documentation of training on internal control standards was maintained. Evidence of training over internal control standards and procedures by the applicable personnel was not provided for audit; therefore, this compliance requirement, and the accuracy of the certification stating training was completed, could not be substantiated.

Indiana Code 5-11-1-27(g) states in part:

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

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

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](#)."

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TOWN OF LYNN
EXIT CONFERENCE

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