

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LYONS

GREENE COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
05/18/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Darla Robison	01-01-17 to 12-31-23
President of the Town Council	Kimberly Nickless	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LYONS, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lyons (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

May 14, 2020

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CLERK-TREASURER
TOWN OF LYONS

CLERK-TREASURER
TOWN OF LYONS
AUDIT RESULTS AND COMMENTS

MVH RESTRICTED FUND

Condition and Context

Effective January 1, 2019, State Examiner Directive 2018-2 established that 50 percent of State Motor Vehicle Highway distributions shall be maintained in a Motor Vehicle Highway Restricted (MVH) fund to be allocated for construction, reconstruction, and preservation of the Town's highways.

In 2019, the Town failed to create and report the Motor Vehicle Highway Restricted sub-fund, Fund 203, as directed by the State Examiner. In addition, the Town failed to allocate or deposit at least 50 percent of the distributions from the State Motor Vehicle Highway Account at the time of receipt into a MVH Restricted sub-fund.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to create a new sub-fund within the MVH fund to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account 50 percent of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified in the Indiana Gateway for Government Units financial reporting system that the Town had adopted and trained personnel on internal control standards.

Criteria

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 LYONS
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts, and financial close and reporting.

Receipts

The Clerk-Treasurer recorded and deposited receipts. There was no documentation of controls in place, such as an oversight, review, or approval process.

Financial Close and Reporting

The Clerk-Treasurer did not have a proper system of internal control in place to prevent, or detect and correct, errors in the Annual Financial Report entered into the Indiana Gateway for Government Units financial reporting system. The Clerk-Treasurer entered the financial information without an oversight, review, or approval process.

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 LYONS
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2020, with Darla Robison, Clerk-Treasurer, and Kimberly Nickless, President of the Town Council.

TOWN COUNCIL
TOWN OF LYONS

TOWN COUNCIL
TOWN OF LYONS
AUDIT RESULT AND COMMENT

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council had not adopted the minimum level of internal controls as required by statute. The Town Council also had not ensured that the appropriate personnel received training on internal control standards.

Criteria

Indiana Code 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."

TOWN COUNCIL
TOWN OF LYONS
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2020, with Darla Robison, Clerk-Treasurer, and Kimberly Nickless, President of the Town Council.