

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LOWELL

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED

09/30/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Motor Vehicle Highway (MVH) Restricted Fund	6
Exit Conference	7
Town Court:	
Audit Result and Comment:	
Internal Controls	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Walters	01-01-19 to 12-31-21
President of the Town Council	Christopher Salatas	01-01-19 to 12-31-19
	Will Farrellbegg	01-01-20 to 12-31-20
	Christopher Salatas	01-01-21 to 05-31-21
	Todd Angerman	06-01-21 to 12-31-21
Town Judge	Christopher Buckley	01-01-19 to 01-30-20
	(Vacant)	01-31-20 to 02-03-20
	Robert McMahon (interim)	02-04-20 to 01-01-21
	Richard Shapiro	01-02-21 to 12-31-21



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 LOWELL, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Lowell (Town), for the period from January 1, 2019 to December 31, 2020. 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

September 16, 2021

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF LOWELL

CLERK-TREASURER
TOWN OF LOWELL
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The Town created the Motor Vehicle Highway (MVH) Restricted fund as required. However, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund. The \$8,424 MVH distribution for August 2019, was not allocated to the MVH Restricted which resulted in less than 50 percent allocated as required.

Furthermore, in 2020, the Town allocated 82 percent of MVH distributions into the MVH Restricted fund. A Town Council approved ordinance or resolution electing to allocate more than 50 percent to the MVH Restricted fund was not provided as required.

Criteria

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 fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.*** (State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF LOWELL
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2021, with Judith Walters, Clerk-Treasurer, and Todd Angerman, President of the Town Council.

(This page intentionally left blank.)

TOWN COURT
TOWN OF LOWELL

TOWN COURT
TOWN OF LOWELL
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

The same comment also appeared in prior Report B53209.

Condition and Context

There were deficiencies in the internal control system for the Town Court related to financial transactions and reporting. The Town Court had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments, Receipts, and Disbursements

One Town Court employee was responsible for the issuance of receipts and preparation of the daily deposit without a proper system of oversight or review.

Another Town Court employee was responsible for the manual Town Court ledger, posting of the receipts, and the preparation and posting of all disbursements, as well as the preparation of the monthly bank reconciliations. An oversight or review process of the postings of the receipts, deposits, disbursements, and the monthly bank reconciliations by an individual other than the preparer was not performed.

Financial Reporting

One Town Court employee computed the year-end financial information from the manual Town Court ledger. An oversight or review process of the year-end financial information by an individual other than the preparer was not performed.

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. . . ."

TOWN COURT
TOWN OF LOWELL
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2021, with the Honorable Richard Shapiro, Town Judge, and Nancy Morgan, Town Court Clerk.