

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MENTONE

KOSCIUSKO COUNTY, INDIANA

January 1, 2018 to December 31, 2022



**FILED**

08/02/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Barbara Ross Janick Norris (Vacant) Amanda Yaprak	01-01-18 to 12-31-19 01-01-20 to 04-22-22 04-23-22 to 06-09-22 06-10-22 to 12-31-23
President of the Town Council	Jill Gross	01-01-18 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF MENTONE, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Mentone (Town), for the period from January 1, 2018 to December 31, 2022. 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 the 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/](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, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 25, 2023

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TOWN COUNCIL  
TOWN OF MENTONE

TOWN COUNCIL  
TOWN OF MENTONE  
AUDIT RESULT AND COMMENT

***CAPITAL ASSETS***

*Condition and Context*

The Town did not have a capital assets policy that details the threshold at which an item is considered a capital asset.

*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)

TOWN COUNCIL  
TOWN OF MENTONE  
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2023, with Amanda Yaprak, Clerk-Treasurer, and Jill Gross, President of the Town Council.

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CLERK-TREASURER  
TOWN OF MENTONE

CLERK-TREASURER  
TOWN OF MENTONE  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Bank reconciliations were performed monthly during the engagement period. However, unidentified variances of (\$9,841) and \$3,626 existed as of December 31, 2021, and December 31, 2022, respectively.

*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."

**CAPITAL ASSETS**

*Condition and Context*

The Town did not have a proper detailed listing of all capital assets owned. The Town did not complete a physical inventory of capital assets at least every two years.

*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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

All months selected for testing did not provide a complete upload regarding the bank statements. Bank statements uploaded were not showing all pages.

Three months selected for testing, September 2021, December 2021, and July 2022, were not uploaded to the Indiana Gateway for Government Units (Gateway) timely.

Annual uploads for 2019, 2020, and 2021 were selected for testing. All three years' annual uploads were not uploaded to Gateway.

*Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents. (Amended State Examiner Directive 2018-1)

### **INTERNAL CONTROLS**

A similar comment appeared in prior Report B42682, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*, and Report B50202, entitled *INTERNAL CONTROLS*.

#### *Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments:* Bank Reconcilements were performed by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the cash and investment balances.

*Receipts:* Receipts were written by the Clerk-Treasurer without an oversight, approval, or review process in place to ensure the accuracy of the receipts. The Clerk-Treasurer received, recorded, and deposited all of the funds.

*Financial Close and Reporting:* The Clerk-Treasurer ran the year end reports and transmitted the information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report without an oversight, approval, or review process in place to ensure the accuracy of the information submitted.

#### *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.

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

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. . . ."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following error in Other Information:

*Capital Assets*

The Town did not provide accurate subsidiary records to support the capital assets reported in Gateway as of December 31, 2022. The Town has determined that the Schedule of Capital Assets will not be presented in the Financial Statements Audit Report as Other Information.

*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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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 MENTONE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ACCOUNTING OF CORONAVIRUS RELIEF FUND**

*Condition and Context*

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town established fund 264 - Cares Provider Relief fund (CARES fund) instead of following the *Accounting and Appropriation of COVID-19 Grants* memo dated April 29, 2020, which indicated the Town could utilize any fund number between 150-175, and the *Cares Act Fund Numbers* memo dated April 20, 2020, which indicated the Town should use fund number 264 specifically for Medicare fee-for-service reimbursements.

The CRF reimbursement for public health and safety payroll costs totaling \$31,470 was receipted into the CARES fund in December 2020. The expenditures upon which the reimbursement was based should have been reversed and recorded in the CARES fund, or the reimbursed amount transferred through the claims process to the General fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of the CRF reimbursement.

The CARES fund had a balance of \$31,470 as of December 31, 2020.

During 2021, the Town spent directly out of the CARES fund. The amount spent, \$25,936, was appropriated. As of December 31, 2021, the CARES fund had a balance of \$5,534 which should immediately be claimed to the General fund. This would allow for the money to be expended for any general unit purpose with appropriation.

*Criteria*

... To properly track assistance from the Provider Relief Fund, use the following Fund Number and Name: ...

<u>Cities and Towns</u>	<u>Fund Number and Name</u>
	264 CARES Provider Relief Fund ...

(Cares Act Fund Numbers memo dated April 20, 2020)

... In anticipation of several separate funds being necessary, the following fund numbering system should be followed: ...

Cities/Towns: 150-175 ...

(Accounting and Appropriations of COVID-19 Grants memo dated April 29, 2020 (updated September 29, 2020))

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020).**

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

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements.**

**Reimbursed Public Health and Safety Payroll Costs**

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.* . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER  
TOWN OF MENTONE  
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2023, with Amanda Yaprak, Clerk-Treasurer, and Jill Gross, President of the Town Council.