

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LANESVILLE

HARRISON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

11/08/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Elizabeth A. Blocker Amanda Ballew	01-01-21 to 02-28-21 03-01-21 to 12-31-23
President of the Town Council	Herbert L. Schneider	01-01-21 to 12-31-23
Superintendent of Utilities	Matthew Beckman Terry Schmelz (Vacant) Christopher Clark (Vacant) Thomas Tidstrom	01-01-21 to 06-30-21 07-01-21 to 02-28-23 03-01-23 to 03-09-23 03-10-23 to 06-29-23 06-30-23 to 08-06-23 08-07-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LANESVILLE, HARRISON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Lanesville (Town), for the period from January 1, 2021 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 30, 2023

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CLERK-TREASURER
TOWN OF LANESVILLE

CLERK-TREASURER
TOWN OF LANESVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B57975, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. Although the Clerk-Treasurer entered the information into Gateway, and the Deputy Clerk-Treasurer reviewed the information entered, the internal control was not effective and did not detect and allow correction of the following errors prior to submission:

Financial Data

1. For 2021, beginning cash and investments balances for the Water Utility-Debt Reserve, Water Utility-Sinking/Opr, and Water Utility-Customer Deposit funds were understated by \$73,140, \$89,622, and \$3,922, respectively. Additionally, the beginning cash and investments balance for the Water Utility-Operating fund was overstated by \$14,012.
2. The Town did not report receipt or disbursement activity for the Water Utility-Sinking/Opr fund for the audit period. For 2021, receipts and disbursements were understated by \$72,783 and \$83,102, respectively. For 2022, receipts and disbursements were understated by \$73,241 and \$71,511, respectively.
3. The Town did not report receipt and disbursement activity for the Payroll fund during the audit period. For 2021, receipts and disbursements were understated by \$33,096 and \$42,071, respectively. For 2022, receipts and disbursements were understated by \$66,164 and \$43,912, respectively.
4. There were errors in the reported receipt and disbursement activity within seven other funds that were immaterial both individually and in the aggregate. For 2021, receipts and disbursements were understated and overstated by \$10,719 and \$3,601, respectively. For 2022, receipts and disbursements were understated by \$15,691 and \$35,222, respectively.

In total, beginning cash and investments balances were understated \$152,672, receipts were understated by \$271,694, disbursements were understated by \$272,217, and ending cash and investments balances were understated by \$152,149.

Adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the Town.

Capital Assets

The Town did not provide supporting documentation for the reported capital assets. The Town did not have a listing of capital assets and chose not to present the Schedule of Capital Assets in the Financial Statement Audit Report of the Town.

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

Payables and Receivables

The Town did not report amounts for accounts payable and accounts receivable. The Town did not maintain supporting documentation for payables and receivables. The Town chose to not present the Schedule of Payables and Receivables in the Financial Statement Audit Report of the Town.

Criteria

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](#)."

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. . . ."

CAPITAL ASSETS

The same comment also appeared in prior Report B57975.

Condition and Context

As of December 31, 2022, the Town had not created a capital assets ledger to comply with the Town's capital assets policy. Additionally, the Town did not complete a physical inventory of capital assets within the last two years.

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

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)

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B57975, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The Clerk-Treasurer prepared the monthly bank reconciliations of the fund ledger to the bank accounts. The Town Council reviewed and approved the monthly reconciliations. However, the internal controls were not effective, as monthly reconciliations of the trust accounts were not performed, and the certificate of deposit was not included on any reconciliation.

In total, the Town has six bank accounts which should be reconciled monthly to the Town's ledgers. Of the 144 monthly reconciliations required during the audit period, 15 were selected for testing. Of the 15 tested, 9 did not have a properly completed bank reconciliation. The Town was not including the Town's certificates of deposit and two other bank accounts on any of the monthly bank reconciliations tested.

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."

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 LANESVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Report B57975.

Condition and Context

As of December 31, 2022, the Town had not created the Motor Vehicle Highway Restricted Fund and was not allocating a minimum of 50 percent of the state motor vehicle highway distributions for construction, reconstruction, and preservation of the Town's highways as required by State Examiner Directive 2018-2.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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 House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report . . .

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.

(State Examiner Directive 2018-2)

TIMELY RECORDING

A similar comment appeared in prior Report B57975, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The Water Utility-Debt Reserve fund was not included in the Town's ledger. There was a material cash and investments balance for this fund, in addition to trivial interest received, that should have been recorded in the ledger.

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

Most of the Water Utility-Sinking/Opr fund receipts and disbursements during the audit period were not included in the ledger. The Town has this fund on its ledger, but receipts and disbursements of the trust depository account that corresponds to this fund were not always recorded on the ledger.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF LANESVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with John Walter, Town Council member; Herbert L. Schneider, President of the Town Council; and Amanda Ballew, Clerk-Treasurer.