

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CAYUGA

VERMILLION COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
01/31/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tamara Hetrick Timothy Wilson Briana Noggle	01-01-18 to 11-30-22 12-01-22 to 12-31-22 01-01-23 to 12-31-24
President of the Town Council	Ron Brink Sarah Hathaway	01-01-18 to 12-31-22 01-01-23 to 12-31-24
Superintendent of Utilities	George Hinote (Vacant) Cindy Wilson	01-01-18 to 02-29-20 03-01-20 to 03-02-20 03-03-20 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CAYUGA, VERMILLION COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Cayuga (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/.

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

January 11, 2024

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CLERK-TREASURER
TOWN OF CAYUGA

CLERK-TREASURER
TOWN OF CAYUGA
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B54274.

Condition and Context

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial reporting to ensure the accuracy and timeliness of the recordkeeping. The failure to establish internal controls enabled material misstatements to occur and remain undetected.

Cash and Investments (Bank Reconciliations)

Reconcilements of the accounting record balances to the bank depository balances were not completed at least monthly, as required.

In reviewing the documentation provided, we noted the following items:

1. The Town did not reconcile its Bank of New York Mellon bank accounts for any month during the audit period.
2. Two local bank accounts for the water and sewage funds were not reconciled for December 2022. The lack of reconciliation for the Water Utility allowed \$52,224 in December utility collections to go unrecorded in the accounting system. These collections had not been recorded in the Town's financial accounting system as of October 16, 2023.
3. The December 31, 2022 reconciliation for the General bank account did not detect a one-sided transaction, overstating receipts by \$26,631.

The Town recorded a \$26,631 transfer from the General Fund to the Part Time Employees fund to resolve the Part Time Employees fund's negative balance. This transfer was not approved by the Town Council. The disbursement for this transfer was voided, but the receipt portion was not. This error had not been corrected in the Town's financial accounting system as of October 16, 2023. If this error had been corrected timely, the Part Time Employees fund would have had a negative balance of \$26,631 at December 31, 2022.

4. When verifying the clearing of outstanding checks, it was determined that checks were recorded in the system with one check number and then cleared the bank with a different check number. This error was not detected or corrected by the Town.

Receipts

The Town had not segregated key functions related to receipts. The Clerk-Treasurer wrote the receipts and recorded the receipts to the ledger for non-utility receipts. The Town had not designed or implemented an oversight, review, or approval process over receipts to ensure the accuracy, completeness, timeliness, and classification of receipts recorded.

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

Financial Reporting

The Clerk-Treasurer prepared and submitted the financial information into the Annual Financial Report (AFR) through the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. The AFR was submitted by the Clerk-Treasurer without evidence of a review or oversight process to ensure the accuracy and completeness of the financial information submitted.

The Town failed to record and report the financial activity of the State Revolving Fund (SRF) trust accounts in Gateway. This resulted in an understatement of the beginning cash and investments balances, receipts, disbursements, and ending cash and investments balances in the various Bank of New York Mellon funds in total as follows:

<u>Years</u>	<u>Beginning Cash and Investments</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash and Investments</u>
2018	\$ 96,991	\$ 86,940	\$ 69,054	\$ 114,877
2019	114,877	85,619	68,113	132,383
2020	132,383	119,822	103,751	148,454
2021	148,454	81,950	66,772	163,632
2022	163,632	64,901	67,064	161,469

Audit adjustments were proposed, approved by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements 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](#)."

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:

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

"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. . . ."

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT

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 did not have adequate internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Grants

The Town did not report any grant activity in 2021 or 2022, which resulted in the following misstatements:

1. The 2021 Coronavirus State and Local Fiscal Recovery Funds expenditures were understated by \$124,626.
2. The 2021 Indiana Office of Community and Rural Affairs (IOCRA) COVID-19 Response Program funds expenditures were understated by \$225,640.
3. The 2022 Coronavirus State and Local Fiscal Recovery Funds expenditures were understated by \$125,570.

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

Since the Town did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Accounts Receivable and Accounts Payable

The Town was unable to provide records to support the accounts receivable and accounts payable amounts reported in the AFR in 2018, 2019, 2020, 2021, and 2022. The Town approved the omission of the 2022 Schedule of Payables and Receivables from the Financial Statements Audit Report of the Town.

Leases and Debt

The 2020 Refunding Wastewater Bond and 2001 Water Bond were omitted from the debt schedule. This resulted in the understatement of the 2022 ending principal balance and principal due within one year by \$2,420,793 and \$109,000, respectively.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented in the Financial Statements Audit Report of the Town.

Capital Assets

The Town was unable to provide a detailed capital assets record to support the capital assets amounts reported in the AFR in 2018, 2019, 2020, 2021, and 2022. The Town approved the omission of the 2022 Schedule of Capital Assets from the Financial Statements 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](#)."

OVERPAYMENT OF COMPENSATION

Condition and Context

The former Deputy Clerk-Treasurer maintained a time card documenting hours worked and was paid an hourly rate of \$12 through the November 23, 2022 payroll. The Deputy Clerk-Treasurer's annual wages were not to exceed \$17,833 a year per the Salary Ordinance for 2022. Effective November 23, 2022, the Town Council approved an amendment to the Salary Ordinance for 2022 authorizing the Deputy Clerk-Treasurer to be paid \$17 an hour, not to exceed \$20,800 for the year 2022. This was adopted because of the prior Clerk-Treasurer's resignation.

Beginning in December 2022, the Deputy Clerk-Treasurer stopped maintaining a record of her hours worked and paid herself a salary of \$925 per week for four weeks so that she would reach the "not to exceed" amount of \$20,800.

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

Since the Deputy Clerk-Treasurer is an hourly position, compensation should have been based upon hours worked. Since a timesheet was not maintained, the amount earned for the four payrolls in December 2022 was estimated using her average hours worked each pay period for the year. The estimated compensation in excess of her approved rate of pay in 2022 was \$1,704.

Criteria

Indiana Code 5-11-9-2 states in part: ". . . all accounts or vouchers of any political subdivision of the state for personal services of officers and employees shall be made in such form as may be prescribed by the state board of accounts."

Indiana Code 5-11-9-4(a) states: "The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

NONPAYMENT OF UTILITY BILLINGS

Condition and Context

Per a utility billing report, the former Deputy Clerk-Treasurer had water consumption of 2,690 gallons for the period of November 2, 2022 to December 1, 2022, on her personal utility account (account). This would have amounted to a utility charge of \$99 for water and sewage use to be paid to the Town; however, the account was manually adjusted and no consumption was billed.

Additionally, another customer's account with usage of 2,160 gallons was also manually adjusted and not billed in December 2022. The amount that should have been billed on this account was \$93 for water and sewage use. There was no supporting documentation or approval information presented for audit to allow for these adjustments.

The Deputy Clerk-Treasurer was the only individual with access to the financial software at that time as the Clerk-Treasurer had resigned on November 30, 2022, and the interim Clerk-Treasurer did not have access to the accounting system. The adjustments were not approved by the Town Council.

Criteria

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs or adjustments. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

A similar comment also appeared in prior Reports B41439, B49568, and B54274, entitled *CONDITION OF RECORDS*.

Condition and Context

The following deficiencies were identified:

Receipts

State and Local Distributions totaling \$416,324 were recorded in incorrect funds. Of this amount, \$362,266 should have been receipted into new funds created by the Town Council instead of being comingled in existing funds of the Town.

Disbursements

The Town disbursed \$225,640 from the CARES Provider Relief Fund for small business grants. The source of the funding was from an Indiana Office of Community and Rural Affairs (OCRA) COVID-19 Response Program grant, which had been recorded in the wrong fund. This was not a proper use of the money. The OCRA grant money should have initially been receipted into a separate grant fund, not a fund related to CARES money, and disbursed from there.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS

Condition and Context

The Town created a Motor Vehicle Highway (MVH) Restricted sub-fund (sub-fund) within the Motor Vehicle Highway fund and posted 50 percent of the State MVH account distributions to the sub-fund as required for all but one distribution. The January 2019 distribution was receipted 100 percent into the MVH fund. This resulted in the MVH Restricted fund being understated by \$2,084.

Additionally, the Town disbursed \$6,707 for administration, material, salt, supplies, equipment, and snowplow parts from the MVH Restricted fund. These disbursements were not for the construction, reconstruction, or preservation of the Town's highways.

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

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."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town failed to ensure training was provided for personnel over the internal control standards adopted, as required by Indiana Code 5-11-1-27(g). The Town did not provide documentation that required personnel completed required internal control training.

Criteria

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town certified on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the audit period, the Town could not provide documentation supporting that required personnel had received training concerning the internal control standards.

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](#)."

COMPENSATION AND BENEFITS

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer and Town Council for the audit period ending December 31, 2017.

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

Condition and Context

In a test of 15 payroll checks, we noted the following deficiencies:

1. The Town did not maintain time records for any salaried employees.
2. The 2018 Salary Ordinance could not be provided for audit.
3. The Town Council and Park Board were paid, in advance, in the first week in December each year instead of on December 31 for the second half of their semiannual pay.

Criteria

Indiana Code 5-11-9-2 states in part: ". . . all accounts or vouchers of any political subdivision of the state for personal services of officers and employees shall be made in such form as may be prescribed by the state board of accounts."

Indiana Code 5-11-9-4(a) states: "The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS

Condition and Context

During the audit period, the Town made payments to a vendor totaling \$967,665 for labor and materials to rebuild the Town's grandstands. A written contract could not be provided for audit.

Additionally, the Town contracted with a grant writer and an engineering firm in 2022; written contracts could not be provided for audit.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconcilements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end investment statements, detail of receipt activity, detail of disbursement activity, current year salary ordinance and amendments, annual vendor history report, annual funds ledger, annual payroll history report, and court trust fund subsidiary detail.

The Town did not comply with the State Examiner Directives and failed to upload the following monthly or annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system:

2018

The Town did not upload a current year salary ordinance and amendments.

2020

The Town did not upload a current year salary ordinance and amendments, or an annual payroll history report.

2021

The Town did not upload any of the required annual uploads.

2022

The Town did not upload any required monthly or annual uploads except for three months of Town Council minutes.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway . . .

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . .

(State Examiner Directive 2018-1)

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. (Amended State Examiner Directive 2018-1)

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

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)

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

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, entitled *CARES Provider Relief Fund* (CARES fund) for reimbursements received from the Indiana Finance Authority (IFA). However, fund number 264 and the CARES fund name were reserved for a different specified CARES purpose.

The Town commingled CRF reimbursements from the IFA with COVID funds received from the Indiana Office of Community and Rural Affairs (OCRA) and monies from the Department of the Treasury. The CRF reimbursement for public health and safety payroll costs, totaling \$24,284, was receipted into the CARES fund in December 2020. The reimbursement amount should have then been moved by claim to the General Fund leaving a zero balance in the CARES fund; however, the transfer from the CARES fund to the General Fund was not completed until March 2022, leaving \$24,284 of CARES money in the fund as of December 31, 2021.

An additional reimbursement for non-payroll expenditures was received in January 2021 in the amount of \$742. This amount was transferred to reimburse the General Fund for prior non-payroll expenditures.

Criteria

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).

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.

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

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)

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

Cities and Towns Fund Number and Name

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))

CAPITAL ASSETS

The same comment also appeared in prior Report B54274.

Condition and Context

The Town did not provide a capital assets policy that detailed the threshold at which an item is considered a capital asset. The Town was unable to provide a detailed capital asset record to support the capital assets reported in the Annual Financial Report on the Indiana Gateway for Government Units financial reporting system. The grandstand project and machinery and equipment additions approved by the Town Council were not included in the capital asset record.

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

Furthermore, a complete physical inventory was not taken at least every two years as required.

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)

ERRORS ON CLAIMS

The same comment also appeared in five prior reports, including the three most recent Reports B41439, B49568, and B54274.

Condition and Context

The following deficiencies were noted on Account Payable Vouchers (claims) during the audit period.

1. Claims were not prepared, approved by the Clerk-Treasurer, or approved by the Town Council for any of the construction disbursements made for the water project.
2. All claims for the monthly State Revolving Fund transfers made to the Bank of New York were paid prior to receiving Town Council approval.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL ALLOWANCE

The same comment also appeared in prior Report B54274.

Condition and Context

The Town did not adopt an ordinance to pay claims prior to Town Council approval. Of the vendor claims tested, 100 percent were paid prior to Town Council approval.

Criteria

Indiana Code 36-5-4-12 states:

"(a) The legislative body of a town may adopt an ordinance allowing money to be disbursed under this section for lawful town purposes.

(b) Notwithstanding [IC 5-11-10](#), with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of a board allowance for the following types of expenses if the town legislative body has adopted an ordinance under subsection (a):

- (1) Property or services purchased or leased from:
 - (A) the United States government; or
 - (B) an agency or a political subdivision of the United States government.
- (2) License fees or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) Federal grant programs if:
 - (A) advance funding is not prohibited; and
 - (B) the contracting party provides sufficient security for the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance agreements or service agreements.
- (8) Lease agreements or rental agreements.
- (9) Principal and interest payments on bonds.
- (10) Payroll.
- (11) State, federal, or county taxes.

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

(12) Expenses that must be paid because of emergency circumstances.

(13) Expenses described in an ordinance.

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer.

(d) The town legislative body or the board having jurisdiction over the allowance of the claim shall review and allow the claim at the body's or board's next regular or special meeting following the preapproved payment of the expense."

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Report B54274.

Condition and Context

The detailed customer deposit register did not reconcile with the Water Utl Deposit fund (Water Utility - Customer Deposit fund). Manual records were maintained for tracking customer deposits. The detailed records lacked a running total or balance to compare to the ending cash balance in the fund.

Criteria

At all times, the manual and 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)

SUBSEQUENT EVENTS - TIMELINESS OF RECONCILIATIONS

Condition and Context

As of October 16, 2023, the Town had not completed timely monthly bank reconciliations for the Town's bank accounts for 2023.

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."

SUBSEQUENT EVENTS - UTILITY RECEIPT TRANSACTIONS

Condition and Context

As of September 18, 2023, receipts totaling \$26,606 were recorded in the financial accounting system to the Water Utility Operating fund for utility collections to date. However, per a Utility Cash Summary Report as of September 30, 2023, there had been \$506,167 in utility collections. This resulted in \$479,561 in unrecorded utility collections.

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

As of October 16, 2023, receipts totaling \$560,735 were recorded to the Water Utility Operating fund for utility collections to date, which were back dated throughout 2023. These collections consisted of both water and sewage utility collections. Historically, the Sewage Utility collections would be transferred monthly to the Sewage Utility Operating fund. The Sewage Utility portion of the utility collections totaling \$363,707, receipted into the Water Utility Operating fund, had not been transferred to the Sewage Utility Operating fund. This resulted in an understatement of receipts and cash balance in the Sewage Utility Operating fund and an overstatement of receipts and cash balance in the Water Utility Operating fund of \$363,707.

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF CAYUGA
301 S FIRST ST
CAYUGA IN. 47928

OFFICIAL RESPONSE

Date:1.19.2023

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re:

In response to Timeliness of Reconciliations the new Town Clerk was unaware of the timeline for the upload process into Gateway for Bank Reconciliations. This will be corrected going forward.

In response to the Utility Receipt Transactions during the 2023 year the new clerk was still learning how all the transactions were to be split into each sewer fund. Money was collected and reported into the water fund per the bank accounts; however, was not transferred into the sewage accounts. These have since been transferred into the sewage fund.

Briana Noggle
Town of Cayuga Clerk Treasurer

CLERK-TREASURER
TOWN OF CAYUGA
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2024, with Briana Noggle, Clerk-Treasurer; Sally Craft, Town Council member; Leigh Ann Smith, Town Council member; and Jamie Weaver, Deputy Clerk-Treasurer.