

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LAFONTAINE

WABASH COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
01/21/2025



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>         | <u>Term</u>          |
|----------------------------------|-------------------------|----------------------|
| Clerk-Treasurer                  | Diana Heath             | 01-01-23 to 04-17-23 |
|                                  | (Vacant)                | 04-18-23 to 05-07-23 |
|                                  | Teresa Snyder (interim) | 05-08-23 to 05-15-23 |
|                                  | Pamela Whitener         | 05-16-23 to 12-31-24 |
| President of the<br>Town Council | Jay Gillespie           | 01-01-23 to 05-30-24 |
|                                  | (Vacant)                | 05-31-24 to 06-09-24 |
|                                  | John Krhin              | 06-10-24 to 12-31-24 |



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF LAFONTAINE, WABASH COUNTY, INDIANA

This report is supplemental to the audit report of the Town of LaFontaine (Town), for the period from January 1, 2023 to December 31, 2023. 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/](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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 12, 2024



CLERK-TREASURER  
TOWN OF LAFONTAINE

CLERK-TREASURER  
TOWN OF LAFONTAINE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment appeared in prior Report B55274, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

Internal controls were not in place to ensure compliance with laws, regulations, and uniform compliance guidelines established by the Indiana State Board of Accounts. The Town was not in compliance with laws, regulations, and uniform compliance guidelines as detailed further in the following comments:

- Annual Financial Report
- Appropriations
- Capital Assets
- Fund Sources and Uses
- Approval of Claims
- Ordinances and Resolutions
- Overdrawn Cash Balances
- Supporting Documentation
- Timely Recording

Additionally, internal controls over the recording and reporting of the financial transactions of the Town were deficient. As a result of the internal control deficiencies, material errors occurred and remained undetected.

*Disbursements*

The Town had not designed or implemented effective internal controls over payroll disbursements. Payroll disbursements were processed by the Clerk-Treasurer and reviewed and approved by the Town Council; however, there was no evidence of oversight and review of payroll detail during the audit period. In addition, the Town was unable to provide evidence that all time cards were approved by a supervisor or department head. There were two of three time cards sampled that did not have evidence of review by a supervisor or department head.

*Financial Close and Reporting*

The Town did not have a proper system of internal controls in place to ensure transactions in the records were accurately reported into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. Although the Town had established internal controls over financial close and reporting, the internal controls did not prevent, or detect and correct, misstatements in the comment below titled *ANNUAL FINANCIAL REPORT*.

*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:

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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. . . ."

## **ANNUAL FINANCIAL REPORT**

### *Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units financial reporting system. The AFR contained the following errors:

#### *Financial Data*

The Town reported a bank transfer which overstated the receipts and disbursements of the American Rescue Plan Act fund by \$120,000.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town.

#### *Payables and Receivables*

The Town did not report the amounts of accounts payable and accounts receivable as of December 31, 2023.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statement Audit Report of the Town.

#### *Capital Assets*

The Town's total reported capital assets of \$4,738,330 could not be verified with the listing presented for audit.

The Town approved the omission of the Schedule of Capital Assets in the Financial Statement Audit Report of the Town.

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

*Leases and Debt*

The Town did not report the ending principal balance and principal due within one year for the Wastewater Revenue Bond 2023 and Water BAN 2023. The total ending principal balance omitted was \$1,858,000. The total principal due within one year omitted was \$28,000.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

*Federal Awards Expended*

The Town did not report the Water and Waste Disposal Systems for Rural Communities grant in the amount of \$2,367,125.

An audit adjustment was proposed, accepted by the Town, and made to the Schedule of Expenditures for Federal Awards in the Federal Compliance 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 as set forth in the uniform compliance guidelines. 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](#).

**APPROPRIATIONS**

A similar comment appeared in prior Reports B48183 and B55274, entitled *APPROPRIATIONS*.

*Condition and Context*

For calendar year 2023, the Town had expenditures in excess of budgeted appropriations for the General fund in the amount of \$19,203 and the Cumulative Fire Special fund in the amount of \$9,965.

*Criteria*

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

**CAPITAL ASSETS**

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2019.

*Condition and Context*

The Town did not complete a capital asset inventory within the last two years as of December 31, 2023.

CLERK-TREASURER  
TOWN OF LAFONTAINE  
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)

**FUND SOURCES AND USES**

*Condition and Context*

The Town incorrectly recorded the following state and local tax distributions:

- Three state distributions totaling \$4,618 were posted into the Local Road & Street fund instead of the Motor Vehicle Highway fund.
- Seven state distributions totaling \$9,618 were posted into the Motor Vehicle Highway fund instead of the MVH Restricted fund.
- Local Income Tax - Economic Development distributions totaling \$20,784 was posted into the General fund instead of the CEDIT fund.

*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)

**APPROVAL OF CLAIMS**

A similar comment appeared in prior Report B55274, entitled *ERRORS ON CLAIMS*.

*Condition and Context*

Of 24 vendor claims sampled, 5 did not have evidence to support approval by the Town Council. In addition, of six debt payments tested, two did not have evidence to support approval by the Town Council.

*Criteria*

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless . . .

- (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 LAFONTAINE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ORDINANCES AND RESOLUTIONS**

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2019.

*Condition and Context*

The amount charged to customers for trash services could not be verified. The Town could not provide an approved rate ordinance or resolution.

*Criteria*

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement included funds that had overdrawn cash balances at year end during the audit period.

As of December 31, 2023, the Library Property fund was overdrawn \$4,796, the Payroll fund was overdrawn \$6,706, and the American Rescue Plan Act fund was overdrawn \$277.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**SUPPORTING DOCUMENTATION**

A similar comment appeared in prior Report B55274, entitled *ERRORS ON CLAIMS*.

*Condition and Context*

The Town was unable to provide supporting documentation for 1 of 5 debt disbursements and 2 of 24 other vendor claims tested.

*Criteria*

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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AUDIT RESULTS AND COMMENTS  
(Continued)

**TIMELY RECORDING**

*Condition and Context*

The Town did not record all transactions in a timely manner. Of 24 vendor disbursements sampled, 1 transaction was not recorded until three weeks after it occurred.

*Criteria*

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)

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 LAFONTAINE  
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2024, with Pamela Whitener, Clerk-Treasurer, and Nikki Brubaker, Town Council member.