

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

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

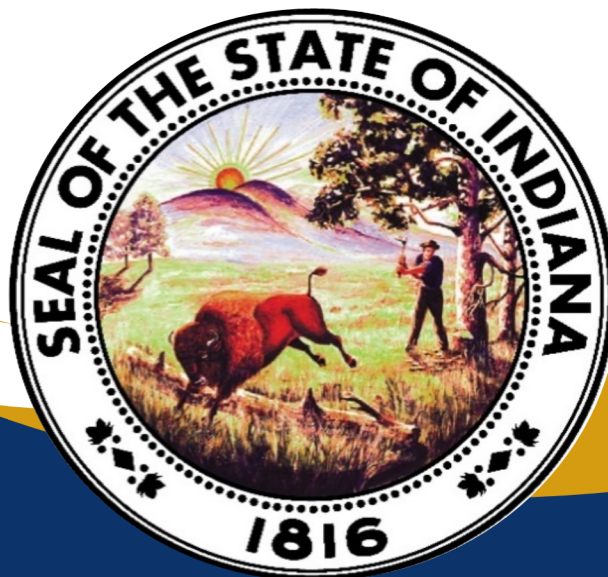
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PONETO

WELLS COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

12/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lou Ann Reinhard	01-01-22 to 12-31-23
	Brad Schoeff	01-01-24 to 03-11-24
	(Vacant)	03-12-24 to 05-12-24
	Lou Ann Reinhard	05-13-24 to 12-31-24
President of the Town Council	Rebecca Smith	01-01-22 to 12-31-23
	Kelly Potter	01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF PONETO, WELLS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Poneto (Town), for the period from January 1, 2022 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/.

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

November 21, 2024



CLERK-TREASURER
TOWN OF PONETO

CLERK-TREASURER
TOWN OF PONETO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B60361, entitled *INTERNAL CONTROLS*.

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:

- Condition of Records
- Bank Account Reconciliations
- Annual Financial Report

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

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 entitled *ANNUAL FINANCIAL REPORT*.

Cash and Investments

The Clerk-Treasurer was responsible for performing the bank reconciliation of the depository accounts with the record balance. While there was a documented review and approval process in place, the internal controls did not prevent, or detect and correct, errors in the comment below entitled *BANK ACCOUNT RECONCILIATIONS*.

Receipts

The Town had not established internal controls over receipts. The Clerk-Treasurer received, posted, and deposited all receipts without a verifiable internal control or review. There were no internal controls in place to ensure that receipts were recorded at the time of the transaction and were receipted to the appropriate funds.

Disbursements

Although the Town had established internal controls over disbursements, Electronic Funds Transfer (EFT) payments and net payroll check payments were without a verifiable internal control or review. In addition, the EFT payments were not recorded in the ledger. There were no internal controls in place to ensure that disbursements were recorded at the time of the transaction and were disbursed from the appropriate funds.

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

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. . . ."

CONDITION OF RECORDS

A similar comment also appeared in prior Reports B55557 and B60361, entitled *CONDITION OF RECORDS*.

Condition and Context

The Town failed to comply with applicable laws and regulations related to:

Ledger

- The Trust Indiana Savings Account was incorrectly reported as a separate fund in the Town's ledger. As a result, the fund's activity overstated the Town's Annual Financial Report as noted in the comment below entitled *ANNUAL FINANCIAL REPORT*.

Receipts

- The Town incorrectly posted all Motor Vehicle Highway fund local property tax distributions for 2022 and 2023, totaling \$15,256 and \$16,254, respectively, to the Motor Vehicle Highway - Restricted fund.
- Payroll fund receipts were not posted to the ledger in detail for 2022. Total payroll receipts and disbursements were netted together and posted as one receipt. Payroll fund receipts were not posted to the ledger for 2023.

Disbursements

- Payroll fund disbursements were not posted to the ledger for 2022 and 2023.

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

Criteria

At all times, the manual and/or 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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B55557, entitled *CONDITION OF RECORDS*; and in prior Report B60361, entitled *BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

On December 31, 2021, 2022, and 2023, the difference between the adjusted bank balance and the Town's ledger indicated a cash long of \$1,338, which was determined to be immaterial to the financial statement as a whole.

The State Revolving Fund (SRF) bank accounts were not included in the Town's bank reconciliations.

Beginning after November 2022, Trust Indiana bank account balances were presented on the Town's bank reconciliations, but at incorrect amounts. Unposted interest from the Trust Indiana bank account was not shown as a reconciling item on the Town's bank reconciliation on December 31, 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."

At all times, the manual and/or 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)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60361, entitled *ANNUAL FINANCIAL REPORT*.

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

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 financial reporting system. The AFR contained the following errors:

Financial Data

The Trust Indiana Savings Account was incorrectly reported as a fund. For the AFR ending December 31, 2022, the beginning cash and investments balance, receipts, and ending cash and investments balance were overstated by \$224,458, \$1,448, and \$225,906, respectively. For the AFR ending December 31, 2023, the beginning cash and investments balance, receipts, and ending cash and investments balance were overstated by \$225,906, \$10,610, and \$236,516, respectively. The interest earned was incorrectly posted to the fund instead of the General fund.

Audit 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 Other Information in the Financial Statement Audit Report of the Town.

Payables and Receivables

The Town did not report amounts for accounts payable and accounts receivable for the AFR ending December 31, 2023. Approximately \$8,303 was presented as the Wastewater Accounts Receivable on a Regular Trial Balance.

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

Capital Assets

The Town's detailed listing of capital assets owned did not agree with the capital assets activity of the Town for the AFR ending December 31, 2023. Furthermore, the AFR and detailed listing did not include improvements purchased with BAN and Revenue Bonds of 2018 or Office of Community and Rural Affairs funding.

The Town approved the omission of the Schedule of Capital Assets 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 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](#)."

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)

CLERK-TREASURER
TOWN OF PONETO
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Lou Ann Reinhard, Clerk-Treasurer; Kelly Potter, President of the Town Council; and Linda Ogle, Town Council member.