

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CEDAR LAKE

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
10/07/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Sandberg	01-01-19 to 12-31-21
President of the Town Council	John Foreman Randell Niemeyer	01-01-19 to 12-31-19 01-01-20 to 12-31-21
Town Administrator	Jill Murr	01-01-19 to 10-18-20
Town Manager	Rick Eberly	10-19-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CEDAR LAKE, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Cedar Lake (Town), for the period from January 1, 2019 to December 31, 2020. 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 our 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.

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

September 30, 2021

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CLERK-TREASURER
TOWN OF CEDAR LAKE

CLERK-TREASURER
TOWN OF CEDAR LAKE
AUDIT RESULTS AND COMMENTS

CORONAVIRUS RELIEF FUND ACCOUNTING

Condition and Context

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

The Town did not follow one of the three defined Frameworks as outlined in the Directive for their non-payroll related expenditures. The reimbursement from Indiana Finance Authority (IFA) for non-payroll expenditures was posted to the CARES fund and then the receipts were transferred to the funds that originally incurred the expenditures rather than reversing the expenditure. By not creating reversing entries, expenditure activities were reflected in the incorrect funds and did not re-establish appropriations.

The noncompliance described above was isolated to non-payroll expenses. The payroll reimbursement was accounted for as outlined in the Directive.

Criteria

. . . Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the 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 original 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 these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

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

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

(State Examiner Directive 2020-3)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED

Condition and Context

The Town did not report the Motor Vehicle Highway (MVH) fund and MVH Restricted fund as separate funds in the Annual Financial Report (AFR) as required.

The AFR entered into the Indiana Gateway for Government Units financial reporting system was the source of the financial statement. An audit adjustment to report the MVH and MVH Restricted funds separately was proposed, accepted, and made to the financial statement.

Criteria

The purpose of this Directive is to authorize and require counties, 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.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes.

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 and Annual Operational Report. . . .

(State Examiner Directive 2018-2)

Town of Cedar Lake
Office of the Clerk-Treasurer
7408 Constitution Ave – PO Box 707 – Cedar Lake, IN 46303
Tel (219) 374-7000 – Fax (219) 374-8588



October 5, 2021

Indiana State Board of Accounts
302 West Washinton St. Room E418
Indianapolis, IN 46204-2765
officialresponse@sboa.in.gov

Re: Official Response to Examination for January 1, 2019 through December 31, 2020

The Town of Cedar Lake seeks to file an official response to be included in the audit report by the State Board of Accounts as discussed at the exit conference on September 30, 2021. The Town works diligently to update and/or implement controls after weaknesses are identified.

Coronavirus Relief Fund Accounting

State Examiner Directive 2020-3, which prescribed and clarified the accounting procedures for CARES funding administered through the Indiana Finance Authority, was sent from the State Board of Accounts via email communication on October 23, 2020. A journal entry to reimburse the appropriate funds from the CARES fund was created on October 22, 2020. This entry made certain that the CARES grant fund had a zero balance. The Town of Cedar Lake concurs that a reversing entry should have been completed to coincide with prescribed accounting procedures. Future fund activities will comply with these procedures. All funds affected are accounted for by the Audit.

Motor Vehicle Highway (MVH) Restricted

The Town of Cedar Lake concurs that the Motor Vehicle Highway (MVH) Fund and the Motor Vehicle Highway (MVH) Restricted Fund were not reported separately on the Annual Financial Report. State Examiner Directive 2018-2 refers to MVH Restricted continually as a sub-fund. The Department of Local Government Finance (DLGF) allows reporting of both funds as one, under the original Motor Vehicle Highway Fund. The Town of Cedar Lake received a proposal for an audit adjustment and accepted. Adjustments have been made to the financial statement, and moving forward, the Town will report the funds separately on the Annual Financial Report. All funds affected are accounted for by the Audit.

Respectfully,

A handwritten signature in blue ink, appearing to read "J. Sandberg".

Jennifer N. Sandberg, JAMC
Clerk-Treasurer
Town of Cedar Lake

CC: Town Manager
Town Council President
Town Attorney

CLERK-TREASURER
TOWN OF CEDAR LAKE
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2021, with Jennifer Sandberg, Clerk-Treasurer; Rick Eberly, Town Manager; Richard Sharpe, Vice President of the Town Council; Ralph Miller, Town Council member; and David Austgen, Town Attorney.