

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LADOGA

MONTGOMERY COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

04/25/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy J. Holladay	01-01-18 to 12-31-23
President of the Town Council	James B. Cox Mike Hubble Sr.	01-01-18 to 12-31-19 01-01-20 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF LADOGA, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Ladoga (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 our 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

April 18, 2023

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CLERK-TREASURER
TOWN OF LADOGA

CLERK-TREASURER
TOWN OF LADOGA
AUDIT RESULTS AND COMMENTS

ACCOUNTING AND APPROPRIATION OF COVID-19 GRANTS

Condition and Context

The Town did not properly account for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The public health and safety payroll costs reimbursement of \$21,698 was receipted into the Covid Cares Act Fund (CARES fund) on December 21, 2020. The Town did not follow one of the two defined options as outlined in the Directive for its payroll related expenditures. Instead, the whole amount receipted remained as a balance in the fund on December 31, 2020.

In 2021, expenditures of \$18,685 were paid directly out of the CARES fund without appropriation, using the reimbursement monies receipted in 2020. This caused financial activity to be improperly reflected in the CARES fund. The expenditures that tied directly to the reimbursement should have been reflected in the CARES fund or as an alternative, a claim against the CARES fund with the monies then receipted into the General fund where they could be expended for any general purpose. The \$18,685 in expenditures should have instead been recorded in a fund that had been appropriated for the purposes of those expenditures. Additionally, \$324 was receipted into the CARES fund on February 19, 2021, for affordable cares act insurance refund. The CARES fund had a cash and investment balance of \$0 as of December 31, 2021.

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. . . .

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.

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. . . .**

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

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.** . . .

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

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)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

1. The CCF Grant Fund was omitted resulting in receipts and disbursements being understated by \$201,846 in 2021.
2. The CDBG Grant Fund was omitted resulting in receipts and disbursements being understated by \$422,155 in 2022.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and Combining Schedules as Required Supplementary Information presented in the Financial Statements Audit Report.

CLERK-TREASURER
TOWN OF LADOGA
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. . . ."

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](#)."

CLERK-TREASURER
TOWN OF LADOGA
EXIT CONFERENCE

The contents of this report were discussed on April 18, 2023, with Amy J. Holladay, Clerk-Treasurer; Mike Hubble Sr., President of the Town Council; and Larry Tippin, Financial Consultant.