

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

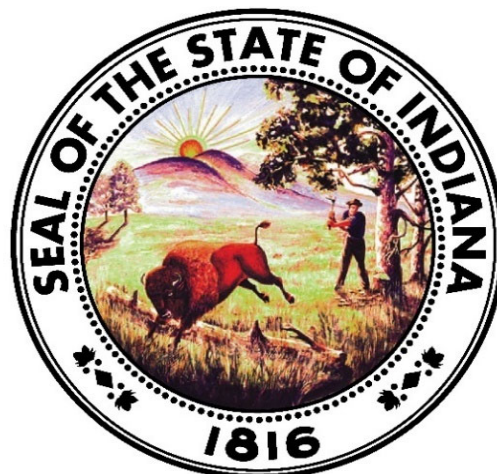
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PINE VILLAGE

WARREN COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

12/07/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy C. Kochell	01-01-18 to 12-31-23
President of the Town Council	James Blinn	01-01-18 to 12-31-18
	Donny R. Hensley	01-01-19 to 12-31-20
	James Blinn	01-01-21 to 12-31-21
	David Hutchinson	01-01-22 to 06-06-22
	Rita Stringer	06-07-22 to 12-31-22
	James Blinn	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PINE VILLAGE, WARREN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Pine Village (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

November 30, 2023

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CLERK-TREASURER
TOWN OF PINE VILLAGE

CLERK-TREASURER
TOWN OF PINE VILLAGE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment appeared in prior Report B51032, entitled *FINDING 2016-001 FINANCIAL TRANSACTIONS AND REPORTING*, and prior Report B51048, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

There was a control deficiency in the internal control system of the Town related to financial close and reporting. The Town had not separated incompatible activities related to the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statements. No evidence of an internal control, such as an oversight, review, or approval process, could be identified.

The AFR was submitted by the Town without evidence of a review or oversight process to ensure the accuracy and completeness of the financial information submitted. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected.

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. . . ."

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

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town created a Motor Vehicle Highway (MVH) Restricted sub-fund (sub-fund) within the Motor Vehicle Highway fund and recorded 50 percent of the State motor vehicle highway distributions to the sub-fund as required. However, the Town did not report the restricted fund separately in the Annual Financial Report.

In addition, the Town disbursed \$1,573 for alley and driveway repair expenses from the sub-fund. These disbursements were not for the construction, reconstruction, and preservation of the Town's highways. Furthermore, the Town paid a portion of an employees' compensation from the sub-fund. The Town did not maintain detailed documentation to support the \$2,658 in compensation paid from the sub-fund, so we could not verify that the disbursement was for the construction, reconstruction, and preservation of the Town's highways.

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."

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 . . .

(State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF PINE VILLAGE
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2023, with Nancy C. Kochell, Clerk-Treasurer; James Blinn, President of the Town Council; and Rita Stringer, Town Council member.