

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF THORNTOWN

BOONE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**

09/28/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Koren Gray	01-01-20 to 12-31-23
President of the Town Council	Bruce Burtner Sara Fairfield	01-01-20 to 12-31-21 01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF THORNTOWN, BOONE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Thorntown (Town), for the period from January 1, 2020 to December 31, 2021. 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 statements. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE  
Deputy State Examiner

September 26, 2023

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CLERK-TREASURER  
TOWN OF THORNTOWN

CLERK-TREASURER  
TOWN OF THORNTOWN  
AUDIT RESULTS AND COMMENTS

**ACCOUNTING FOR 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 Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town established fund 264 - Cares Act instead of following the *Accounting and Appropriation of COVID-19 Grants* memo dated April 29, 2020, which indicated the Town could utilize any fund number between 150-175. Additionally, fund number 264 was reserved for a different specified CARES purpose as outlined in the *Cares Act Fund Numbers* memo dated April 20, 2020.

*Criteria*

The State Examiner Directive 2020-3 states in part:

**"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)*."**

Cares Act Fund Numbers memo dated April 20, 2020, states in part:

". . . To properly track assistance from the Provider Relief Fund, use the following Fund Number and Name: . . .

Cities and Towns Fund Number and Name  
264 CARES Provider Relief Fund . . ."

Accounting and Appropriations of COVID-19 Grants memo dated April 29, 2020 (updated September 29, 2020) states in part:

". . . In anticipation of several separate funds being necessary, the following fund numbering system should be followed: . . .

Cities/Towns: 150-175 . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial, required supplementary information, supplementary information, and other information are 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:

*Financial Data*

- Receipts for 2021 were understated by \$2,179,000.

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

- Disbursements for 2021 were understated by \$492,997.
- Ending cash and investments balances at December 31, 2021, were understated by \$1,686,003.

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 Required Supplementary Information in the Financial Statement Audit Report for the Town.

*Leases and Debt*

The debt information entered into Gateway at December 31, 2021, for the Wastewater project Ending Principal Balance was understated by \$273,953, and the Principal Due Within One Year was overstated by \$40,659.

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.

*Capital Assets*

The Capital Assets information entered into Gateway could not be verified due to a lack of supporting documentation for amounts reported for the years ended December 31, 2020 and 2021.

*Grant Schedule*

The grant information entered into Gateway contained the following errors:

At December 31, 2020:

- The grant schedule included \$1,000,000 in insurance, overstating expenditures by \$1,000,000.

At December 31, 2021:

- The grant schedule included \$2,000,000 in insurance, overstating expenditures by \$2,000,000.
- The grant schedule included \$2,179,000 in loans outstanding, overstating expenditures by \$2,179,000.
- Construction Grants for Wastewater Treatment Works was overstated by \$190,000.

*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 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 THORNTOWN  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Monthly reconciliations were not prepared for the Sewer Construction bank accounts from October 2021 to December 2021.

*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."

**CAPITAL ASSETS**

The same comment also appeared in prior Report B57041.

*Condition and Context*

The Town did not provide a formal capital asset policy, a detailed listing of capital assets, or evidence that a capital asset inventory had been completed at least every two years.

The Town approved a threshold of \$5,000 for capitalizing assets at the December 30, 2019 Town Council meeting, but the threshold had not been documented in a formal capital assets policy.

*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)

**INTERNAL CONTROLS**

A similar comment appeared in the prior reports B51250 and B57041.

*Condition and Context*

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not established internal controls, which would include appropriate segregation of duties over receipts or financial close and reporting.

*Receipts*

The Clerk-Treasurer prepared the deposit, delivered the deposit to the bank, and posted the receipts to the ledger. There was no documentation of an oversight or review process to ensure that receipts activity was accurately recorded and deposited.

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

*Financial Close and Reporting*

The Clerk-Treasurer entered and submitted financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement without a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR and financial statement. The lack of internal controls allowed a material misstatement in the financial statement as reported in the above comment 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:

"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. . . ."

**TIMELY RECORDING AND RECEIPT ISSUANCE**

*Condition and Context*

Excise tax for \$495 was received on June 29, 2020, but was not posted until September 11, 2020.

There were two receipt transactions for 2021 that were not posted into the Town's financial software and a receipt was not issued. The Town received \$1,500,000 on October 25, 2021, for BAN Proceeds for an SRF Wastewater Project and \$679,000 on November 10, 2021, that was transferred from a Trust account. Both transactions were reflected in the depository accounts; however, the transactions were not posted into the financial software and did not have a receipt issued.

*Criteria*

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)

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

CLERK-TREASURER  
TOWN OF THORNTOWN  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2023, with Koren Gray, Clerk-Treasurer; David Williams, Vice President of the Town Council; and Sandy Gates, Utility Clerk.