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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF ORESTES

MADISON COUNTY, INDIANA

January 1, 2020 to December 31, 2023

FILED
11/06/2024

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Erin Atwood	01-01-20 to 12-31-23
	Kathryn Lawhorn	01-01-24 to 12-31-24
President of the Town Council	Catherine Bowyer	01-01-20 to 12-31-23
	Tony Morris	01-01-24 to 12-31-24

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ORESTES, MADISON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Orestes (Town), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: http://www.gateway.ifionline.org.

The contents of this report were communicated to Kathryn Lawhorn, Clerk-Treasurer; Erin Atwood former Clerk-Treasurer; and Tony Morris, President of the Town Council, on October 16, 2024.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

September 18, 2024

ADVANCE PAYMENTS

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the engagement period ending December 31, 2019.

Condition and Context

Internal controls were not in place to ensure compensation for time worked was not paid in advance. The Town pays all employees once a month, and payment is made for the current month period prior to the last day of the month. This resulted in employees being paid up to five days in advance of time worked during our engagement period.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of the receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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. . . ."

DEPOSITS

Condition and Context

Internal controls were not in place to ensure compliance with laws concerning deposit of collections. All utility receipts examined were deposited later than the next business day and exceeded the $500 cash on hand exception. Deposits were made between three and five times per month instead of when collections totaled over $500 or the next business day.

Indiana Code 5-13-6-1 states in part:

". . . (d) Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

(1) selected by the city or town as provided in an ordinance adopted by the city or the town; and

(2) approved as depositories of state funds. . . .

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars ($500): . . .

(2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.

(3) A city or a town required to deposit funds under subsection (d). . . ."

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:

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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. . . ."

STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

TOWN OF ORESTES
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General	$ 445,991	$ 149,462	$ 219,908	$ 375,545	$ 180,557	$ 104,070	$ 452,032
Motor Vehicle Highway	104,342	16,980	35,181	86,141	18,473	11,643	92,971
Local Road And Street	22,211	7,044	4,966	24,289	7,684	-	31,973
Law Enforcement Continuing Ed	10,860	308	100	11,068	191	4,021	7,238
Riverboat	36,042	2,453	-	38,495	2,450	25,000	15,945
Excess Levy	1,129	1,640	1,128	1,641	310	-	1,951
Cumulative Capital Development	121,426	20,273	3,113	138,586	20,348	30,000	128,934
LOIT Public Safety	15,596	9,870	10,240	15,226	11,091	11,385	14,932
MVH Restricted	-	21,125	-	21,125	8,684	-	29,809
ARPA	-	-	-	-	45,606	-	45,606
Loan For Unsafe Structure Removal	49,070	103	-	49,173	7	12	49,168
Capital Improvements	9,886	1,269	-	11,155	851	4,000	8,006
Storm Water Utility-Operating	12,084	1,852	7,171	6,765	1,888	1,719	6,934
Trash Utility-Operating	19,513	27,125	30,000	16,638	27,101	31,389	12,350
Wastewater Utility-Operating	(35,008)	171,653	56,759	79,886	39,624	58,835	60,675
Wastewater Util-Bond And Interest	-	72,324	72,324	-	74,417	74,417	-
Improvements	1,646	-	1,646	-	-	-	-
Debt Service Reserve	76,844	381	-	77,225	21	-	77,246
Water Utility-Operating	42,550	69,684	86,270	25,964	64,243	84,742	5,465
Water Utility-Depreciation/Improve	32,689	-	5,264	27,425	-	-	27,425
Water Utility-Customer Deposit	12,591	3,514	6,473	9,632	807	1,835	8,604
Totals	$ 979,462	$ 577,060	$ 540,543	$ 1,015,979	$ 504,353	$ 443,068	$ 1,077,264

TOWN OF ORESTES
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General	$ 452,032	$ 259,866	$ 157,077	$ 554,821	$ 223,168	$ 157,282	$ 620,707
Motor Vehicle Highway	92,971	16,600	25,990	83,581	15,386	50,766	48,201
Local Road And Street	31,973	7,281	-	39,254	7,148	-	46,402
CCMG	-	-	-	-	128,111	128,111	-
Law Enforcement Continuing Ed	7,238	627	1,360	6,505	609	4,128	2,986
Riverboat	15,945	1,852	1,709	16,088	1,850	6,000	11,938
Opioid Unrestricted	-	1,033	-	1,033	185	-	1,218
Opioid Restricted	-	2,410	-	2,410	540	540	2,410
Excess Levy	1,951	-	310	1,641	-	-	1,641
Cumulative Capital Development	128,934	20,142	30,000	119,076	21,501	60,000	80,577
LOIT Public Safety	14,932	22,048	14,028	22,952	23,834	14,823	31,963
MVH Restricted	29,809	7,605	-	37,414	7,084	10,953	33,545
ARPA	45,606	45,951	39,490	52,067	-	5,000	47,067
Loan For Unsafe Structure Removal	49,168	1	49,169	-	-	-	-
Capital Improvements	8,006	596	4,000	4,602	597	-	5,199
Storm Water Utility-Operating	6,934	1,906	940	7,900	1,843	924	8,819
Trash Utility-Operating	12,350	25,942	32,727	5,565	26,232	31,741	56
Wastewater Utility-Operating	60,675	108,406	86,438	82,643	123,514	95,465	110,692
Debt Service Reserve	77,246	920	72,170	5,996	305	6,301	-
Water Utility-Operating	5,465	83,102	89,445	(878)	92,594	98,948	(7,232)
Water Utility-Depreciation/Improve	27,425	-	27,381	44	-	-	44
Water Utility-Customer Deposit	8,604	1,603	1,027	9,180	1,684	1,302	9,562
Totals	$ 1,077,264	$ 607,891	$ 633,261	$ 1,051,894	$ 676,185	$ 672,284	$ 1,055,795

Town of Orestes

14 East Oak Street
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Orestes, IN 46063
Phone 754-754-7175

10/25/2024

OFFICIAL RESPONSE
State Examiner, State Board of Accounts
301 W. Washington Street, Room E148
Indianapolis, IN 46204-2765

This is the official response to the public comments on the Town of Orestes Audit by the State Board of Accounts for the period of 1-1-2020 thru 12-31-2023.

The public comments made by the State Board of Accounts for the time period listed above were during the term of Clerk-Treasurer for the Town of Orestes, Erin Atwood. Therefore, she felt compelled to respond to these comments herself.

The comment regarding the Town employees being paid prior to the end of each month: The last audit was through 2019 and up until that time, the Council, Marshal, Water Commissioner, Assistant Water Commissioner and the Clerk-Treasurer were paid at the Town Council monthly meeting on the fourth Tuesday of the month. The auditors at that time advised that the pay should be the last working day of the month. Upon that comment, that is precisely what happened from that point forward.

The comment regarding bank deposits not being made as often as they should have: The State Board of Accounts is correct on this comment, so there is no official response other than that comment is correct.

Erin Atwood, former Clerk-Treasurer, Town of Orestes 1996-2023

Respectfully submitted

Kathryn Lawhorn

Kathryn Lawhorn
Clerk Treasurer
Town of Orestes