

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

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

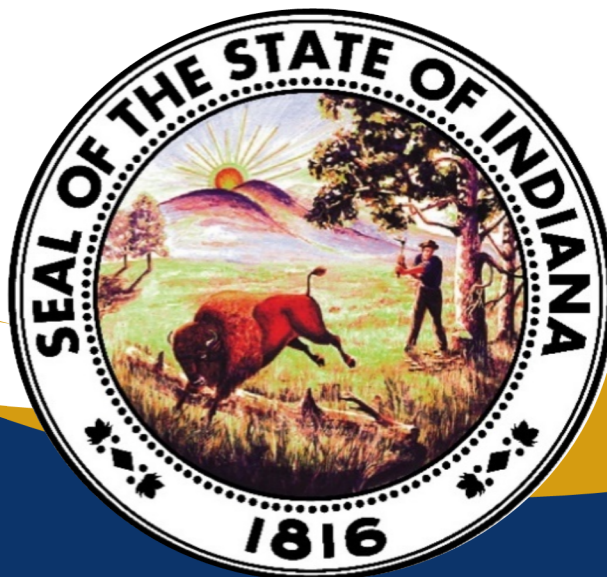
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WHITELAND

JOHNSON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

12/03/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra L. Hendrickson	01-01-20 to 12-31-23
	Melissa Fraser	01-01-24 to 12-31-24
President of the Town Council	David Hawkins	01-01-20 to 12-31-20
	Joe Saylor	01-01-21 to 12-31-21
	Brad Goedeker	01-01-22 to 12-31-22
	Joe Saylor	01-01-23 to 12-31-23
	Richard Hill	01-01-24 to 12-31-24
Superintendent of Water Utility	Dave Gabbard	01-01-20 to 10-13-20
	James Lowhorn	10-14-20 to 01-31-22
	(Vacant)	02-01-22 to 11-13-24
Superintendent of Wastewater Utility	Josh Wade	01-01-20 to 12-31-22
	Jesse Jones	01-01-23 to 12-31-24
Director of Administration	Norm Gabehart	01-01-20 to 12-31-20
	Kevin McGinnis	01-01-21 to 01-31-22
	James Lowhorn	02-01-22 to 05-14-23
	Carmen Young	05-15-23 to 12-31-24



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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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INDIANAPOLIS, INDIANA 46204-2769
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TO: THE OFFICIALS OF THE TOWN OF WHITELAND, JOHNSON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Whiteland (Town), for the period from January 1, 2020 to December 31, 2023. 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 13, 2024



CLERK-TREASURER
TOWN OF WHITELAND

CLERK-TREASURER
TOWN OF WHITELAND
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial 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 Statement and Other Information - Combining Schedules

The following errors were identified in the AFR and financial statements:

- In 2022, the 2022 Series A&B Bond receipts were understated by \$14,974, which understated the ending cash and investment balance by \$14,974.
- In 2023, the 2022 Series A&B Bond receipts and disbursements were understated by \$392,115 and \$3,350,497, respectively, which overstated the ending cash and investment balance by \$2,958,382.
- In 2023, the 2022 Series A&B Bond Interest receipts and disbursements were understated by \$39,757 and \$304,723, respectively, which overstated the ending cash and investment balance by \$264,966.
- In 2023, the Collections - Deposit Account fund receipts were understated by \$2,144,940, which understated the ending cash and investment balance by \$2,144,940.
- In 2023, receipts had two funds with a net overstatement of \$1,494, and disbursements had six funds with a net understatement of \$13,132, which overstated the ending cash and investment balance by \$14,626.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and the Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town.

Capital Assets

The Town reported \$62,465,438 in capital assets for the years ended December 31, 2020 and 2021. Additionally, the Town reported \$114,356,255 in capital assets for the years ended December 31, 2022 and 2023. However, the amounts could not be substantiated based on the supporting documentation provided for audit. Therefore, the Town has determined the Schedule of Capital Assets will not be presented as Other Information in the Financial Statements Audit Report of the Town.

Payables and Receivables

The Town was unable to provide supporting documentation for the Schedule of Payables and Receivables for any of the audit years. No amounts were reported in Gateway for accounts payable or accounts receivable for the Town or utilities for the year ended December 31, 2023. The Town has determined the Schedule of Payables and Receivables will not be presented as Other Information in the Financial Statements Audit Report of the Town.

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

Leases and Debt

The Schedule of Leases and Debt presented for audit for the period ended December 31, 2022, omitted the General Obligation Bond Series 2022 and Economic Development Bond Series 2022 ending principal balance for \$700,000 and \$7,250,000, respectively. Additionally, the Schedule of Leases and Debt for the period ended December 31, 2023 Water Works Revenue Bonds ending principal balance was understated by \$129,288 with principal due within one year understated by \$24,288. Lastly, the General Obligation Bond Series 2022 ending principal balance was overstated by \$60,000.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Town.

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 as set forth in the uniform compliance guidelines. 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](#)."

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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Internal controls were not in place to ensure a combined monthly bank reconciliation was prepared and agreed with the fund balances. The Town did not include the 2022 Series A&B Bond bank accounts in the monthly bank reconciliations. The Town included unidentified adjustments of \$308,433, and still did not match the fund balance.

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

After including the 2022 Series A&B Bond bank accounts and removing the unidentified adjustments from the December 31, 2023 reconciliation, the Town and Utility ledger had an unexplained cash long variance of \$283,766.

Additionally, monthly bank reconciliations were not completed timely. Of the eight reconciliations tested, six were completed two to five months after the bank statement month end.

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (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:

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SUBSEQUENT EVENTS - TIMELINESS OF RECONCILIATIONS

Condition and Context

As of September 2024, the Town had not completed seven of the eight monthly bank reconciliations for any of the Town's operating bank accounts.

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."

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

OVERDRAWN CASH BALANCES

Condition and Context

A similar comment appeared in a Management letter entitled *OVERDRAWN CASH BALANCES* dated March 27, 2020.

The financial statement presented for audit included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn at December 31, 2020	Amount Overdrawn at December 31, 2021	Amount Overdrawn at December 31, 2022	Amount Overdrawn at December 31, 2023
Final Grade Certification	\$ (1,627)	\$ -	\$ -	\$ -
Local Road and Bridge Matching Grant Fund	(71,937)	(238,578)	(318,329)	(327,891)
2014 Gen Bond Ant. Note	(141,510)	(141,510)	(141,510)	(141,510)
Payroll Net Salaries	(1,811)	-	-	-
Payroll PERF	(62)	-	-	-
Payroll Health Insurance	(300)	-	-	-
Payroll Garnishment 2	-	-	-	(150)

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS TRANSFER

Condition and Context

The Amended State Examiner Directive 2021-1 (Directive) prescribed the accounting procedures for federal assistance received through the American Rescue Plan Act of 2021 (ARPA) for Towns. The Town received an allocation from the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), which was funded by the ARPA. However, the Town did not have an effective internal control system in place to ensure all grant disbursements were made from the American Recovery Plan Act fund, as required by the Directive. In September 2022, the Town Council approved a \$614,750 transfer from the American Recovery Plan Act fund to the Fire General Fund, for the purpose of funding the stationing of three firefighters per day plus payroll expenses to be allocated over a three-year period. The ARPA grant transfer to another fund was not in compliance with the Directive.

Criteria

The purpose of this directive is to prescribe the accounting procedures for federal assistance received through the American Rescue Plan Act of 2021 (ARPA).

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

Separate Fund Required. Assistance provided through the ARPA must be received into a separate fund. There are many funding provisions in this Act. A separate fund must be established for each separately identified assistance provided with ARPA in the naming title. . . .

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARPA grant fund; money from the ARPA fund may not be transferred to another fund of the county, city, or town. . . .

Government Services Eligible Use Category. If your unit chooses to use the ARPA funds to cover costs incurred for the provision of governmental services as provided in Section 603(c)(1)(C), you must either select the standard allowance of \$10 million or maintain detailed calculations of the reduction in revenue due to COVID-19 per the formula provided in the U.S. Treasury Final Rule. For purposes of this calculation, the most recent full fiscal year prior to the emergency is 2019.

The use of the funds for the provision of governmental services is limited to the standard allowance of \$10 million or the extent of the reduction in revenue due to the COVID-19 public health emergency per the formula provided in the U.S. Treasury Final Rule.

All disbursements for eligible uses, including government services, must be made directly from the ARPA Fund to ensure compliance with the U.S. Treasury Final Rule, uniform guidance, and conflict of interest requirements. Money may not be transferred to the General Fund or any other fund of the governmental unit.

(Amended State Examiner Directive 2021-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (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:

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

FUND SOURCES AND USES

Condition and Context

The Town had not designed and implemented an effective internal control system related to receipts. Due to the lack of effective internal controls, the Town did not properly account for its 2020 Motor Vehicle Highway (MVH) distribution from the state. Instead of posting 50 percent of the distribution to the Motor Vehicle Highway fund and 50 percent to the MVH Restricted fund, the Town posted the entire distribution, totaling \$57,781, to the Motor Vehicle Highway fund. In 2021, the Town posted \$7,800 of the MVH distribution into the Local Road & Street fund and \$15,311 to the Motor Vehicle Highway fund. In 2022, \$30,503 of MVH funds were posted to the Local Road & Street fund. Additionally, in 2023, the Town receipted \$19,539 of MVH distributions into the Local Road & Street fund instead of the Motor Vehicle Highway fund and receipted \$366 of State Opioid funds into the Opioid Settlement Restricted fund.

In 2020, Financial Institution Tax distribution in the amounts of \$172, \$102, and \$200 should have been receipted to the Cum Capital Development fund, Fire CCD fund, and Fire General Fund, respectively; however, they were all receipted into the General Fund. Additionally, Commercial Vehicle Excise Tax (CVET) of \$291 was posted to the Fire General Fund and should have been receipted into the Fire CCD fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include bank reconciliations, bank statements, outstanding checks list, and fund ledger with total receipts, disbursements, and beginning and ending balances by fund.

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

Required annual uploads are detail of receipts for the year, detail of disbursements for the year, current year salary ordinance, annual vendor history report, annual payroll history, accounts payable/ accounts receivable schedule support, and personnel policy.

The Town did not comply with the Amended State Examiner Directive 2018-1. In 2022, no bank reconciliations, bank statements, or outstanding checks list were uploaded monthly. Additionally in 2022, for 9 of the 12 months the funds ledger was not uploaded. Monthly board minutes were uploaded between 17 and 204 days late. Annual detail of receipts, annual detail of disbursements, annual vendor history, and annual payroll history were not uploaded for the 2022 audit period. Lastly, in 2023, no bank reconciliations, bank statements, or outstanding checks list were uploaded monthly. None of the monthly Town Council or Redevelopment Commission minutes were uploaded and 9 of the 12 months Storm Board minutes were not uploaded. None of the 2023 annual documents were uploaded.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated October 30, 2023 and effective with December 2023 monthly files and 2023 annual files due February 15, 2024.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure accurate recordkeeping of the Town's capital assets. The Town provided detailed subsidiary records of its capital assets for audit; however, the listing was incomplete. During the audit period there were 17 additions to the capital asset listing; however, none of them included the date of purchase, original cost of asset, or classification of asset. Further, the listing provided does not include land owned by the Town. Lastly, the Town did not have a capital asset policy in place which detailed the threshold at which an item is considered a capital asset.

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)

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

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PUBLIC RECORDS RETENTION

Condition and Context

Internal controls were not in place to ensure the proper retention of public records. The Town and Utility officials were unable to provide utility billing reports for 2020 and January 2021. Utility billing reports were presented for all other years of the audit period.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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:

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

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OFFICIAL RESPONSE

Date: November 21, 2024

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Whiteland Civil Town Audit Report

Whiteland Civil Town accepts the final report from the audit findings, but does wish to include the following comments:

Annual Financial Report

The Town has obtained an outside accounting firm that specializes in municipal finance to ensure that we are adhering to all SBOA and DLGF requirements. The Annual Financial Report will be reviewed for accuracy by the Town Clerk-Treasurer as well as our municipal finance team before uploading to Gateway.

Capital Assets

The Town has an asset list and will create and implement a standard operating procedure by Q1 of 2025 to ensure that the asset list is updated as items are disposed of or purchased.

Payables and Receivables

The Town will create and implement a standard operating procedure by the end of Q4 of 2024 to ensure that the appropriate reports are uploaded to Gateway by the required deadline.

Leases and Debt

The Town will create and implement a standard operating procedure by the end of Q1 of 2025 to ensure that current and future bonds are properly documented, reconciled and reported.

Grants

The Town will create and implement a standard operating procedure by the end of Q1 of 2025 to ensure that current and future grants are properly documented, reconciled and reported

Bank Account Reconciliations

Bank Reconciliations will be completed within 45 days of the previous closing month. The Town will create and implement an internal controls standard operating procedure by the end of Q4 of 2024 specific to bank account reconciliations.

Subsequent Events – Timeliness of Reconciliations

The Town will create and implement an internal controls standard operating procedure by end of Q4 of 2024 specific to bank account reconciliations being completed within 45 days of the closing month.

Overdrawn Cash Balances

The Town will investigate why these overdrawn funds have continued since 2020 and will correct the issue by Q1 of 2025. The Town will create and implement a standard operating procedure to ensure that there are no overdrawn accounts.

Errors and Claims

The Town will create and implement a standard operating procedure by Q4 of 2024 to specifically address the process of the Clerk Treasurer signing all claims. We will continue to implement our approval sheet for the Director of Administration and Director of Operations to review and sign off on claims as well.

Coronavirus State and Local Fiscal Recovery Funds Transfer

The Town will create and implement a standard operating procedure by Q1 of 2025 on how to properly receive and distribute all grant funding.

Fund Sources and Uses

The Town's standard operating procedures will be reviewed and created by Q1 of 2025 to ensure that all receipts are completed in an appropriate manner.

Monthly and Annual Engagement Uploads

The Town Clerk Treasurer will create and implement a standard operating procedure related to monthly and annual engagement uploads to Gateway by Q4 of 2024.

Capital Assets

The Town will create and implement a standard operating procedure related to the recordkeeping of the Town's capital asset as well as adopt a capital assets policy for recording any assets for the future by Q2 of 2025.

Public Records Retention

The Town will create and implement a standard operating procedure by Q1 of 2025 related to public records retention to ensure all records will be retained in the approved location and retained until it is time to be destroyed.

Thank you,



Melissa Fraser
Clerk Treasurer
Town of Whiteland

CLERK-TREASURER
TOWN OF WHITELAND
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2024, with Melissa Fraser, Clerk-Treasurer; Richard Hill, President of the Town Council; Carmen Young, Director of Administration; Debra Hendrickson, Town Council member; Makayla Rich, Deputy Clerk-Treasurer; and Adam Stone, Financial Consultant.