

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PITTSBORO

HENDRICKS COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED
10/07/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shari Ping	01-01-22 to 12-31-24
President of the Town Council	Jarod Baker	01-01-22 to 12-31-24
Utility Office Manager	Kate Corn	01-01-22 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PITTSBORO, HENDRICKS COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Pittsboro (Town), for the period from January 1, 2022 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

September 18, 2024

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CLERK-TREASURER
TOWN OF PITTSBORO

CLERK-TREASURER
TOWN OF PITTSBORO
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B59957.

Condition and Context

The Town did not reconcile its investment accounts through Trust Indiana nor were the accounts included in the Town financial records. The Investment accounts were added to the financial statement when the Town uploaded amounts to the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statements. In addition, the Town included the Sweep accounts as adjusting items in the reconcilements instead of as bank accounts.

The bank reconcilements included several individually immaterial outstanding checks, deposits in transit, and adjustment items that were more than two years old. Outstanding checks that were more than two years past December 31 of the year of issue should be voided and receipted back into the issuing funds. Deposits in transit that did not clear the following month should be investigated to identify the cause. Adjustments should have been made to the Town's records to resolve the deposits in transit and other reconciling items. The total of all items was \$21,502.

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 B59957.

Condition and Context

A capital asset listing was not presented for audit for 2022 or 2023. Capital assets reported by the Town on the Annual Financial Report were \$28,282,128.

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 PITTSBORO
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B59957.

Condition and Context

The Investment Fund Statement portion of the Annual Financial Report was not completed on the Indiana Gateway for Government Units financial reporting system as required. Investments in Trust Indiana totaled \$398,432 and \$419,059 as of December 31, 2022 and 2023, respectively.

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](#)."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Reports B56333 and B59957.

Condition and Context

Cash and Investments

The Town did not have proper internal controls in place to ensure the accuracy of the bank reconciliations. One individual was responsible for reconciling the bank accounts to the ledger; however, there was no documented oversight, approval, or review process in place to ensure the accuracy of the reconciliations. Without a proper system of internal controls in place that operated effectively, bank reconciliations could have contained material errors, and errors in recording transactions may not have been detected.

Receipts

The Town did not have proper internal controls in place to ensure the accuracy of the receipts. One individual routinely recorded the receipts into the ledger, prepared the deposit tickets, and took the deposits to the bank without a documented oversight, approval, or review process in place to ensure the accuracy of the information. Without a proper system of internal controls in place that operated effectively, material errors could have occurred and remained 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:

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

"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 PITTSBORO
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2024, with Shari Ping, Clerk-Treasurer; Jarod Baker, President of the Town Council; and Larry Compton, Town Council member.