

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PENDLETON

MADISON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Willie Boles	01-01-23 to 12-31-24
President of the Town Council	Marissa Skaggs	01-01-23 to 12-31-24
Utility Office Manager	Tracie Dodd	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the Town of Pendleton (Town), for the period from January 1, 2023 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

August 27, 2024

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CLERK-TREASURER
TOWN OF PENDLETON

CLERK-TREASURER
TOWN OF PENDLETON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B61849.

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to the Annual Financial Report (AFR).

Financial and other information are required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The financial information, grant information, which is the source of the Schedule of Expenditures of Federal Awards (SEFA), and capital asset information entered into Gateway contained the following errors:

Financial Information

- The Town Court Fiduciary Fund receipts were understated by \$9,119, the disbursements were understated by \$27,332, and the ending cash and investments balance was overstated by \$18,213.
- The Payroll Withholding funds receipts were understated by \$34,139, the disbursements were understated by \$34,438, and the ending cash and investments balance was overstated by \$299.
- The Redevelopment Authority receipts and the ending cash and investments balance were each understated by \$9,689.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis reported as Other Information presented in the Financial Statement Audit Report of the City.

Grant Information

- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds was omitted in the amount of \$897,936.
- The Highway Planning and Construction grant was overstated by \$282,465.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in the Federal Compliance Audit Report of the Town.

Capital Asset Information

The capital asset information entered into Gateway could not be verified because the Town was unable to provide a complete capital asset listing to support the values reported for land, infrastructure, improvements other than buildings, machinery, and equipment in the amount of \$20,952,338.

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

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. . . ."

CAPITAL ASSETS

The same comment also appeared in prior Reports B57948 and B61849.

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to capital assets. The Town had not maintained a complete detailed capital asset listing as required. Ten capital asset purchases listed in the Capital Asset Ledger were tested and nine could not be located.

Due to the capital assets not being reported correctly, the Town decided not to present the Schedule of Capital Assets as part of its Financial Statement Audit Report.

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

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)

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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ORDINANCES AND RESOLUTIONS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to utility billings.

A test of 25 utility customer billings was performed with the following errors:

- There was 1 Water Utility customer that was charged for the wrong meter size.
- There were 4 Electric Utility customers that were charged an incorrect Energy Cost Adjustment rate and/or monthly flat rate.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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:

CLERK-TREASURER
TOWN OF PENDLETON
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.

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CLERK-TREASURER
TOWN OF PENDLETON
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2024, with Willie Boles, Clerk-Treasurer; Karen Parkison, Deputy Clerk-Treasurer; Marissa Skaggs, President of the Town Council; and Scott Reske, Town Manager.