

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WHITESTOWN

BOONE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

10/08/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Matthew Sumner	01-01-23 to 12-31-24
President of the Town Council	Clinton Bohm Eric Nichols Dan Patterson	01-01-23 to 05-10-23 05-11-23 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Nicole Rountree (Vacant) Arren Miller	01-01-23 to 10-02-23 10-03-23 to 11-21-23 11-22-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the Town of Whitestown (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

September 23, 2024

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CLERK-TREASURER
TOWN OF WHITESTOWN

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

The same comment also appeared in prior Report 000000557S.

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 did not have adequate internal controls in place to ensure information entered into Gateway was accurate.

The Clerk-Treasurer, along with a third-party consultant, compiled and submitted the financial information for the Town into Gateway, which was the source of the AFR and the financial statement. For calendar year 2023, while there was a documented review and approval process in place, the internal control was not effective to prevent, or detect and correct, the following errors on the AFR:

Capital Asset Information

The capital asset information entered into Gateway was not accurate or complete as the Town did not maintain a complete detailed ledger of capital assets.

Grant Information

The 21,027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds were understated by \$1,163,590.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance 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.

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

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

This same comment also appeared in prior Reports B58705 and 000000557S.

Condition and Context

The Town did not maintain a complete detailed listing of capital assets during the audit period, and a physical inventory was not completed every two years.

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)

RECORD OF HOURS WORKED

This same comment also appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2022.

Condition and Context

There were six out of seven employees selected in our sample for payroll disbursements who did not have a record of days/hours worked. These individuals were paid a set salary in accordance with the salary ordinance; however, their department head should be reviewing a record of weekly hours/days worked and approving their pay based on this document.

Criteria

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

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

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT AUTHORITY ACTIVITY

Condition and Context

The Town established the Redevelopment Authority (Authority) in 2014; however, the record-keeping for the Authority was not properly established, and transactions for the Authority were commingled with transactions of the Town. Debt was incurred by the Authority, and the related projects were completed. The payments for these debt issues and the related projects should have been made from Authority funds, and the Town should have made lease payments to the Authority for use of the related assets. Instead, the debt payments were made directly from Town funds, and no lease payments were made or recorded.

The Authority did not have a separate ledger, and no bank accounts had been established in the name of the Authority. The Authority was not reported separately in the Town's financial statement.

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](#)."

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CLERK-TREASURER
TOWN OF WHITESTOWN
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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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 WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2024, with Matthew Sumner, Clerk-Treasurer; Arren Miller, Deputy Clerk-Treasurer and Utility Office Manager; Dan Patterson, President of the Town Council; Cheryl Hancock, Town Council member; Courtenay Smock, Town Council member; Katie Barr, Town Manager; Mark Shublak, Taft; Ashley Ulbricht, Taft; and Nathan Fox, Krohn & Associates.