

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ZIONSVILLE

BOONE COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

11/06/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	(Vacant) Kellie Adams (Vacant)	01-01-22 to 04-10-22 04-11-22 to 12-05-22 12-06-22 to 01-23-23
Director of Finance and Records	Cindy Poore	01-24-23 to 12-31-24
Mayor	Emily Styron John Stehr	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Jason Plunkett	01-01-22 to 12-31-24
Director of Public Works	Lance Lantz	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 ZIONSVILLE, BOONE COUNTY, INDIANA

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

October 21, 2024

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DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE

DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

A similar comment also appeared in prior Report B59595, entitled *INTERNAL CONTROLS*.

Condition and Context

Proper internal controls were not in place for cash and investments and financial close and reporting. The following issues were identified:

Cash and Investments

Reconcilements were not being performed timely after month end during the entire audit period. The Town's accounts were not completely reconciled for 2022 until May 2023, and the Town's accounts for all of 2023 were not completely reconciled until February 2024.

Financial Close and Reporting

The Town had not established effective internal controls over the accuracy and timeliness of the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement. In 2022, one employee prepared and submitted the AFR in Gateway without evidence of an internal control, such as an oversight, review, or approval process to ensure completeness and accuracy.

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:

"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. . . ."

DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION

Condition and Context

Items selected for receipt and disbursement testing could not be observed for dates in 2022. The Town had changed financial software during the audit period and has since lost access to data in the prior software. Items contained in the prior software that were not exported and retained by the Town included formal receipts and accounts payable vouchers for 2022.

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."

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Report B59595.

Condition and Context

Bank account reconciliations were reviewed for the audit period and were found to not be completed in a timely manner. The Town's bank accounts for all of 2022 were not reconciled completely until May of 2023. The Town's accounts for all of 2023 were not reconciled completely until February of 2024. In 2023, the Town contracted with consultants to reconcile the bank balances to the financial statements for the audit period. The reconciling process determined December 31, 2022 cash was understated by \$357,493.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE
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. . . ."

TIMELY RECORDING

Condition and Context

As of December 31, 2022, the Town had identified reconciling items noted as "Items on Bank Statement but not on Books," totaling \$1,577,113. These transactions dated back to January of 2022 and continued throughout the year within multiple bank accounts. This issue has since been corrected as of 2023 due to the Town's transition to new financial software.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

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

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

The same comment appeared in prior Report B59595.

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund. The Town uploaded most of its required bank statements for 2022, and all required bank statements for 2023. The Town only uploaded the January 2022 funds ledger for all of 2022, while all monthly funds ledgers were uploaded for 2023.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report. The Town did not upload all required annual files timely for both 2022 and 2023, except for the 2023 support for accounts payable and accounts receivable.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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 November 9, 2020, and effective with uploads due February 15, 2021)

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)



Town of Zionsville | 1100 West Oak Street | Zionsville, Indiana 46077 | www.zionsville-in.gov

October 31, 2024

Indiana State Board of Accounts
Paul Joyce, State Examiner
302 W. Washington St. Rm E418
Indianapolis, IN 46204

Re: Town of Zionsville Audit, January 1, 2022, to December 31, 2023

This letter is in response to the recently completed audit of the Town of Zionsville (the "Town") for the period January 1, 2022, to December 31, 2023. An Exit Conference was conducted by the auditors from the State Board of Accounts on October 21, 2024. Responses to specific Audit Results and Comments are as follows:

Internal Controls

The Town utilized OpenGov as their financial system in 2021 and 2022. Unfortunately, the system did not function as it was presented. This made it extremely hard for reporting as well as reconciling bank accounts to book (the Town's finance system). Because of this, the Town got behind in the monthly reconciliations, which affects the monthly/annual engagement uploads. During this time, the Town also suffered consistent turnover in the leadership position of the Finance Department. When the 2022 Annual Financial Report ("AFR") was submitted, one person was responsible for the input and submission. The Town's financial advisor reviewed the report prior to submission but was not able to provide adequate documentation to the Auditor during the audit.

In late 2023, the Town hired BakerTilly to review and revise its internal controls. One of the items that was revised was the process for inputting and submitting the AFR. There is now a checklist to be completed and initialed by the person inputting each category of information. At the bottom of the checklist is a place for the reviewer to acknowledge that all the information provided has been reviewed and is ready to be submitted.

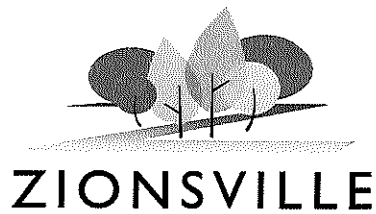
This is just one of several updates that have been made to the Town's internal controls.

Public Records Retention

Due to the nature of the separation from the OpenGov system, the Town was unable to provide the State Board of Accounts with the actual Department Head approvals for the invoices that were submitted for payment. The system had an electronic approval flow. The Town was unable to provide the auditors with the electronic audit report. The Town was able to provide copies of the actual invoices, and the invoices were presented to Council for approval of payment.

The Town moved back to Keystone as its financial software in 2023. This eliminates the issue of records retention as the Town is able to attach documentation invoices, receipts and related items are entered into the system.

Administration 317.344.1167	Finance & Records 317.873.5410	Police 317.873.5967	Public Works 317.873.4544	Planning & Building 317.873.8247
Town Council 317.873.5130	Town Court 317.344.1176	Fire 317.873.5358	Parks & Recreation 317.733.2273	Public Information Officer 317.800.5170



Bank Account Reconciliations

The Town utilized OpenGov as their financial system in 2021 and 2022. Unfortunately, the system did not function as it was presented. This made it extremely hard for reporting as well as reconciling bank accounts to book (our finance system). Because of this, the Town got behind in the monthly reconciliations.

In early 2023, the Town switched back to Keystone as its financial software provider. Keystone has a reliable bank reconciliation function and is a stable software. The Town brought in BakerTilly to assist with getting the bank reconciliations caught up. In November 2023, the Finance Department created a new position, Accounting and Asset Administrator. This position's focus is to complete all the monthly bank reconciliations, as well as the monthly/annual engagement uploads to Gateway. As of the date of this Official Response, all bank reconciliations and required uploads to Gateway are current.

The amount of the understatement for 2022, was corrected in 2023. This was acknowledged by the auditor.

Timely Recording

In mid-2023, the Town was advised by BakerTilly to enter the "Items on Bank Statements but not on Books" amount (\$1,577,813) as an adjustment so it could get started on 2023 bank reconciliations. Most of the items that made up the adjustment had been identified and were corrected in 2023. This is not how the Town would normally handle transactions but felt under the circumstances it was the correct course of action. The Town's financial team enters all transactions in a timely fashion. This was all part of the cleanup and transition from OpenGov.

Monthly and Annual Engagement Uploads

The Town utilized OpenGov as their financial system in 2021 and 2022. Unfortunately, the system did not function as it was presented. This made it extremely hard for reporting as well as reconciling bank accounts to book (the Town's finance system). Because of this, the Town got behind in the monthly reconciliations, which affects the monthly/annual engagement uploads. During this time, the Town also suffered consistent turnover in the leadership position of the Finance Department.

In early 2023, the Town switched back to Keystone as their financial software provider. Keystone has a reliable bank reconciliation function and is a stable software. In November 2023, the Finance Dept. created a new position, Accounting and Asset Administrator. This position's focus is to complete all the monthly bank reconciliations, as well as being responsible for the monthly/annual engagement uploads to Gateway. As of the date of this Official Response, all bank reconciliations and required uploads to Gateway are current.

Sincerely,

Cindy R. Poore
Director of Finance & Records
Town of Zionsville

DIRECTOR OF FINANCE AND RECORDS
TOWN OF ZIONSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2024, with Cindy Poore, Director of Finance and Records; Mia Riley, Deputy Director of Finance and Records; John Stehr, Mayor; Justin Hage, Deputy Mayor; Jason Plunkett, President of the Town Council; Todd Caldwell, Consultant; and Heather Harris, Legal Counsel.