

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, 2014 to December 31, 2014



FILED
02/08/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amanda Andrews (Vacant) Matthew Sumner	01-01-12 to 12-30-15 12-31-15 to 02-23-16 02-24-16 to 12-31-19
President of the Town Council	Eric Miller	01-01-14 to 12-31-17
Utility Office Manager	Rhonda Drew-Johnson Tammy Culbertson Nicole Rountree	01-01-14 to 05-06-14 05-07-14 to 09-01-15 09-02-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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

This report is supplemental to our audit report of the Town of Whitestown (Town), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

January 9, 2018

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CLERK-TREASURER
TOWN OF WHITESTOWN

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS

FINDING 2014-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding was 2013-001.

Condition

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement.

At year-end, the Town uploaded their financial information into the Indiana Gateway for governmental units financial reporting system (Gateway). This information is the basis for the Annual Financial Report (AFR) and the financial statement. The AFR and the financial statement contained the errors noted in the *Context* below. Audit adjustments for the errors noted below were proposed, accepted by the Town, and made to the financial statement.

Context

The receipts and disbursements in the financial statement were understated in total by \$2,161,716 and \$2,157,941, respectively.

- The receipts and disbursements for the Town Court fund were understated by \$178,133 and 174,358, respectively.
- The receipts and disbursements for the 2013 DW 13180604 Loan fund were both understated by \$1,485,819.
- The receipts and disbursements for the 2014 WW 12062603 fund were both understated by \$497,764.

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:

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CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

Cause

Management of the Town had not established a proper system of internal control.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement contained errors as identified in the *Context*.

Recommendation

We recommended that the Town's management establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

FINDING 2014-002

Subject: Cash and Investments - Bank Reconciliation
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding was 2013-002.

Condition

The Town and Utility bank account reconciliations were performed by one individual without an oversight, review, or approval process to ensure the accuracy and completion of the reconciliations.

Context

The lack of internal controls over cash and investments was a systemic problem throughout the audit period. In addition, the Town did not complete bank reconciliations for the Town Operating and Federal Drug Seizure Money funds for December 2014.

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:

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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. . . ."

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."

Cause

Management of the Town had not established an effective system of internal control over cash and investments.

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town's management establish controls related to the cash and investment reconciliation process.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

"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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Cause

Management of the Town Court had not established an effective system of internal control over cash and investments and receipts.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town Court's management establish controls related to the cash and investment reconciliations and the receipt process.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

FINDING 2014-004

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Due to the lack of effective controls, errors occurred on the SEFA. The Capitalization Grants for Drinking Water State Revolving Funds and the Capitalization Grants for Clean Water State Revolving Funds programs were not reported, resulting in an understatement of \$817,189. The SEFA also contained errors with the Pass-Through Entity Identifying Numbers. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

Context

The lack of effective controls was a systemic issue throughout the audit period. The federal expenditures reported on the SEFA presented for audit were materially understated.

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:

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The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § __.310. . . ."

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remain undetected. The SEFA contained the errors identified in the *Condition*.

Recommendation

We recommended that the Town's management establish effective controls over the preparation of the SEFA to ensure accurate reporting of federal awards.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

FINDING 2014-005

Subject: Capitalization Grants for Drinking Water State Revolving Funds - Internal Controls
Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Number and Year (or Other Identifying Number): DW13180604
Pass-Through Entity: Indiana Finance Authority
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding was 2013-005.

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Town had not designed or implemented policies and procedures to ensure the MBE/WBE Utilization Report was reviewed prior to submission.

Context

The lack of internal controls over the Reporting compliance requirement was a systemic issue throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that would have prevented, or detected and corrected, potential material noncompliance.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

CLERK-TREASURER
TOWN OF WHITESTOWN
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2014-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Matthew Sumner
Contact Phone Number: 317-732-4532

Views of Responsible Official: I agree with this assessment.

Description of Corrective Action Plan: Currently, the Town's accounting firm, Reedy Financial Group (RFG), prepares and uploads the documents to the D&GF's website. Once they have been uploaded, RFG contracts the Clerk-Treasurer to review and approve of the documents, and ultimately submit the documents if they are correct, or ask RFG to make any appropriate corrections before completing this process again where the Clerk-Treasurer ultimately approves and submits the documents prepared by RFG.

Anticipated Completion Date: This was instituted when the new Clerk-Treasurer assumed office in March of 2016.

DATE OF REVIEW: 10/1/16
BY: [Signature]

CORRECTIVE ACTION PLAN

FINDING 2014-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Matthew Sumner
Contact Phone Number: 317-732-4532

Views of Responsible Official: I agree with this assessment.

Description of Corrective Action Plan: The bank reconciliation process has changed to include various points of contact. Since the Clerk-Treasurer signs off on checks and deposits money in the accounts, the Deputy Clerk-Treasurer reconciles the bank accounts. Once the Deputy Clerk-Treasurer is done, the reports/reconciliations are sent via e-mail to RFG for final verification before closing out the month.

Anticipated Completion Date: This was instituted when the new Clerk-Treasurer assumed office in March of 2016.

Refer to memo



CORRECTIVE ACTION PLAN

FINDING 2014-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Matthew Sumner
Contact Phone Number: 317-732-4532

Views of Responsible Official: I agree with this assessment.

Description of Corrective Action Plan: When Reedy Financial Group posts the reports on the DLGF website, they will contact the Clerk-Treasurer to verify and submit the documents as necessary.

Anticipated Completion Date: January 2018.

CORRECTIVE ACTION PLAN

FINDING 2014-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Matthew Sumner
Contact Phone Number: 317-732-4532

Views of Responsible Official: I agree with this assessment.

Description of Corrective Action Plan: Moving forward, the Clerk-Treasurer will work with the appropriate Department Head when submitting reports and have the Department Head initial or sign documentation that the reporting is accurate. The Clerk-Treasurer will also reach out to the town attorney and accountants as necessary to ensure the proper information and numbers are reported.

Anticipated Completion Date: January 2018


(Signature)

Clerk-Treasurer
(Title)

12/15/17
(Date)

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment appeared in prior Report B49560.

The cash balance of the Court Costs Due County fund was overdrawn by \$20,336 as of December 31, 2014.

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)

DEPOSIT OF ACCOUNTABLE ITEMS

The deposit slips presented for audit did not show the proper source classification (i.e., cash, check, etc.) of the monies being deposited; therefore, we could not determine if deposits were made intact.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the units. The deposit ticket or attached documentation must provide a detail listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The records presented for audit contained the following deficiencies:

1. Two state distributions were posted to the incorrect fund. The September 2014 Motor Vehicle Highway and Local Road and Street distributions were posted to the opposite fund.
2. Of Town claims tested, 9 percent were not approved by the Clerk-Treasurer.
3. Of Town claims tested, 44 percent cleared the bank prior to being approved by the Clerk-Treasurer and Town Council.
4. Of Wastewater claims tested, 34 percent cleared the bank prior to being approved by the Clerk-Treasurer and Town Council.
5. Of Water claims tested, 35 percent cleared the bank prior to being approved by the Clerk-Treasurer and Town Council.
6. Supporting documentation for all credit card purchases made during the audit period were not presented for audit.

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

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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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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed: . . .

- (7) Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee. . . .

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

PRESCRIBED FORMS

The same comment also appeared in prior Report B49560.

The Town did not utilize an Accounts Payable Voucher (APV) that was approved or prescribed by the SBOA for all claims tested during the audit period. The Town did not utilize the APV, or have another system or controls in place, to show that the invoice or bill was approved by the officer or person receiving the goods and services; the invoice or bill was filed with the Town's Fiscal Officer; the Fiscal Officer audited and certified before payment that the invoice or bill was true and correct; and payment of the claim was allowed by the Town's legislative body or board having jurisdiction over allowance of payment of the claim.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SALES TAX PAID ON PURCHASES

Of Town claims tested, 12 percent included payment of sales taxes. The total amount of sales taxes paid with the claims tested was \$247.

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid \$119 in late fees to various vendors because payments were not remitted on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

ORDINANCES AND RESOLUTIONS

The same comment also appeared in prior Report B49560.

The Town had an approved purchasing policy; however, the policy was not being followed. The policy required purchases over \$100 were only to be made by purchase order. However, we identified purchases in excess of \$100 without approval of the required purchase order. Internal controls were not sufficient to detect and correct instances when the Town did not follow its purchasing policy.

Purchasing Procedures Policy 3.05.040 states in part:

"All purchases over \$100.00 are to be made only with a valid purchase order. . . . To be considered valid, the PO must be completed by the purchaser and approved by the purchasing agent, designating which account the PO is to be paid out of, and any additional required signatures prior to the order being placed."

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)

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**CLERK-TREASURER OFFICIAL RESPONSE
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS - 2014**

OVERDRAWN CASH BALANCES -COURT

Clerk-Treasurer Response: In 2012, the Town Council removed court accounts from the clerk-Treasurer's control. Since law allows a Town Council to remove court duties from a Clerk-Treasurer, this comment should not be labeled under "Clerk-Treasurer Results and Comments". This comment should fall under the Town Court, which is separate from the Clerk Treasurer's office.

DEPOSIT OF ACCOUNTABLE ITEMS

Clerk-Treasurer Response: Every deposit was coded appropriately has scanned images attached. The Clerk-Treasurer is confident that every deposit made has proper documentation. An accounting firm reviewed all accounts payables and receivables at the close of each month.

CONDITION OF RECORDS

Clerk-Treasurer Response: Water and Wastewater day-to-day accounting and bookkeeping is not under the responsibilities of the Clerk-Treasurer. The Clerk-Treasurer is authorized to pay monthly bills such utilities prior to council signature. However, the Clerk-Treasurer is unaware of any payments made without Council signature outside of this rule. All checks were sent via mail the day following the council meeting.

PRESCRIBED FORMS

Clerk-Treasurer Response: To my knowledge, *all* expenditures were approved first by PO, second by council signature, and third by the clerk. If the goal of the APV is to standardize internal control to pay vendors, then the Town of Whitestown does a decent job doing this. Electronic signatures (of 3 or more people) are attached to every pay voucher, encumbrance and purchase order. I believe this was hard to audit because they are electronically kept. To avoid unnecessary printing, we did not print each PO. The APV expectation of the SBOA was unclear to me, for that I sincerely apologize.

SALES TAX PAID ON PURCHASES

Clerk-Treasurer Response: I am unaware of any sales tax paid from a town account. Water and Wastewater day-to-day accounting and bookkeeping is not under the responsibilities of the Clerk-Treasurer.

PENALTIES, INTEREST AND OTHER CHARGES (APPLIES TO TOWN)

Clerk-Treasurer Response: I am unaware of any charges paid from a town account. Water and Wastewater day-to-day accounting and bookkeeping is not under the responsibilities of the Clerk-Treasurer.

ORDINANCES AND RESOLUTIONS

Clerk-Treasurer Response: This comment may be from the auditor's limited access to find hard copies of purchase orders. It was explained to me that files were misplaced after I (Andrews) left office. These POs are accessible electronically and able to be printed at any time. I am unaware of any payments made without a valid purchase order.

I cannot speak on behalf of water/wastewater accounts, the previous bookkeeper may be able to comment.





317-769-6557 PHONE

317-769-6871 Fax

TOWN OF WHITESTOWN
6210 VETERANS DRIVE
WHITESTOWN, IN 46075

January 19, 2018

“OFFICIAL RESPONSE”

Via Regular Mail & Email (ldavid@sboa.in.gov)

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Re: Town of Whitestown Response to 2013 and 2014 Examination Results and Audit Comments as Presented by the State Board of Accounts (“SBOA”) in Exit Interviews

To Whom It May Concern:

The Town of Whitestown (“Town”) writes to respond to the audit comments presented to the Town at a January 9, 2018 meeting with SBOA auditors.

The Town notes at the outset that it is pleased to learn that the financial statements are “unmodified” – meaning that the Town’s financial records fairly presented, in all material respects, the finances and results of operations of the Town for the audited periods. Based on the comments the Town received from the auditors, it appears that any issues identified did not result in financial problems for the Town, but are the types of concerns that could allow discrepancies to occur in the future. The Town considers each such comment seriously, and is committed to putting appropriate controls in place to help avoid unnecessary financial issues in the future.

The Town also notes that the audit was completed in a condensed timeframe and the period under review was during the tenure of a previous Clerk-Treasurer. The Town understands that the prior Clerk-Treasurer may dispute some of the findings and comments but that there may not have been sufficient time to find support. For example, the financial statement findings indicate that only one individual in the Clerk-Treasurer’s office performed bank reconciliations – which fall under that elected official’s purview. The Town has a practice that bank reconciliations are reviewed by its third-party financial consultants at Reedy Financial Group prior to each month being closed out. The Town understands that the prior Clerk-Treasurer contends this was done each month, though the Town was not able to find written verification during the audit. Nevertheless, the current Clerk-Treasurer has worked to implement controls to

address each of the specific findings of the auditors, as outlined in the current Clerk-Treasurer's corrective action plan attached to the audit reports.

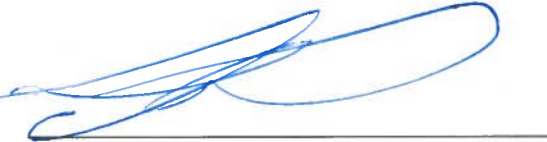
With respect to the audit comments, the Town notes that there are existing policies in place from the Town Council that are in compliance with state law and available SBOA guidance, but the Town understands there were deficiencies in compliance by the prior holder of the Clerk-Treasurer's office. These issues are important to the Town Council because it also relies on the compliance, reporting, and certifications from the Clerk-Treasurer's office in performing its functions. The Town notes that after the audited periods and since the current Clerk-Treasurer has taken office – but before the audit itself was conducted – the Town had already conducted an internal process control review and developed more comprehensive desk resources for educating officials (including the Clerk-Treasurer) on the internal controls and claims payment/approval processes. And while the current Clerk-Treasurer has implemented additional checks to ensure compliance with the matters outlined in the audit commits, the Town will continue to work towards the development of user-friendly reference materials which the Town believes will help avoid future comments even should officials change.

Thank you for your assistance and service.

Sincerely,



Matt Sumner
Current Clerk-Treasurer



Dax Norton
Town Manager

CLERK-TREASURER
TOWN OF WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2018, with Matthew Sumner, Clerk-Treasurer; Dax Norton, Town Manager; Susan Austin, Town Council member; and Stephen Unger, Town Attorney.

The contents of this report were also discussed on January 9, 2018, with Amanda Andrews, former Clerk-Treasurer.

TOWN COURT
TOWN OF WHITESTOWN

TOWN COURT
TOWN OF WHITESTOWN
FEDERAL FINDING

FINDING 2014-003

Subject: Town Court

Audit Findings: Significant Deficiency, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding was 2013-003.

Condition

An effective internal control system was not in place at the Town Court over cash and investments and receipts.

The same employee collected, deposited, and recorded all receipts of the Town Court. Also, the same employee completed the Town Court bank reconciliations, which were not reviewed or approved by another employee.

The bank reconciliations performed were not adequate. They were a reconciliation of the bank activity to the bank; not a reconciliation of the bank balances to the Town Court ledger balances.

Context

The lack of internal controls and the noncompliance were systemic issues throughout the audit period. In addition, none of the bank reconciliations were properly performed.

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:

TOWN COURT
TOWN OF WHITESTOWN
FEDERAL FINDING
(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. . . ."

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."

Cause

Management of the Town Court had not established an effective system of internal control over cash and investments and receipts.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town Court's management establish controls related to the cash and investment reconciliations and the receipt process.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CORRECTIVE ACTION PLAN

FINDING 2014-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Matthew Sumner
Contact Phone Number: 317-732-4532

Views of Responsible Official: I agree with this assessment.

Description of Corrective Action Plan: Moving forward, the Court Clerk will have the Judge sign off on verifying monthly financial reports and records. This was happening for about two years, but without a signature from the Judge.

Anticipated Completion Date: This will be started in January 2018.

low: 01-11-18

TOWN COURT
TOWN OF WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2018, with Matthew Sumner, Clerk-Treasurer; Dax Norton, Town Manager; Susan Austin, Town Council member; and Stephen Unger, Town Attorney.

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UTILITY DEPARTMENT
TOWN OF WHITESTOWN

UTILITY DEPARTMENT
TOWN OF WHITESTOWN
AUDIT RESULT AND COMMENT

PENALTIES, INTEREST, AND OTHER CHARGES

The Town Utilities made a late payment for the September 2014 Water Utility sales tax liability. This resulted in a payment of \$939 for penalties and interest charges.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

UTILITY DEPARTMENT
TOWN OF WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2018, with Matthew Sumner, Clerk-Treasurer; Dax Norton, Town Manager; Susan Austin, Town Council member; and Stephen Unger, Town Attorney.