

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PINE VILLAGE

WARREN COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED

10/12/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Annual Financial Report.....	6
Exit Conference	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy C. Kochell	01-01-16 to 12-31-19
President of the Town Council	Donny R. Hensley	01-01-17 to 12-31-17
	James Blinn	01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF PINE VILLAGE, WARREN COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Pine Village (Town), for the period from January 1, 2017 to December 31, 2017. 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 our Financial Statement Audit Report of the Town, which provides our opinion 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

September 6, 2018

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF PINE VILLAGE

CLERK-TREASURER
TOWN OF PINE VILLAGE
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B48141, entitled *FINDING 2015-001 FINANCIAL TRANSACTIONS AND REPORTING*, and prior Report B51031, entitled *FINDING 2016-001 FINANCIAL TRANSACTIONS AND REPORTING*.

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

The Town had not separated incompatible activities related to the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement. No evidence of a control, such as an oversight, review, or approval process could be identified.

The lack of internal controls was a systemic issue throughout the audit period. Due to an ineffective control process, the AFR and financial statement presented for audit omitted the RD Grant, Sewage Depreciation, Sewage Bond and Interest, Sewage O&M Reserve, and Sewage Operating, which understated receipts, disbursements, and cash and investment balances as follows:

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
RD Grant	\$ 245	\$ 42,110	\$ 42,355	\$ -
Sewage Depreciation	9,600	14,400	-	24,000
Sewage Bond and Interest	4,000	6,000	4,000	6,000
Sewage Operating	26,612	134,944	133,619	27,937
Sewage O&M Reserve	-	9,000	-	9,000

Audit adjustments were proposed, approved by the Town, and made to the AFR and financial statement.

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. . . .

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. . . ."

CLERK-TREASURER
TOWN OF PINE VILLAGE
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2018, with Nancy C. Kochell, Clerk-Treasurer, and R. Keith Eberly, Town Council member.