

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, 2018 to December 31, 2018



FILED
04/01/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Matthew Sumner	01-01-18 to 12-31-20
President of the Town Council	Eric Miller Clinton Bohm	01-01-18 to 12-31-18 01-01-19 to 12-31-20
Utility Office Manager	Nicole Rountree	01-01-18 to 12-31-20



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 our audit report of the Town of Whitestown (Town), for the period from January 1, 2018 to December 31, 2018. 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 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.

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

February 26, 2020

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CLERK-TREASURER
TOWN OF WHITESTOWN

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not perform a bank reconciliation that included all funds for the entire period. The Town had 20 different bank accounts and each bank account was reconciled separately; however, a comprehensive reconciliation was not performed that would have reconciled to the total cash balance reported on the financial statements. Additionally, bank accounts for the Capacity Fund of the Water Utility and Capacity fund of the Sewer Utility were reconciled at year end to amounts that did not agree to the amount reported on the financial statements. This resulted in an unknown variance of \$6,948 and \$4,526 for those funds, respectively.

Adjustments were proposed, accepted by the Town, and made to the financial statements.

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."

INTERNAL CONTROLS

Condition and Context

The Town did not design and implement a system of internal control over cash and investment balances.

The Town contracted with a third-party to complete bank reconciliations for all utility related funds; however, there was no documentation of controls in place, such as an oversight, review, or approval process by the Town's management.

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. . . ."



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TOWN OF WHITESTOWN
6210 VETERANS DRIVE
WHITESTOWN, IN 46075

March 6, 2020

“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 2018 Examination Results and Audit
Comments as Presented by the State Board of Accounts (“SBOA”)

To Whom It May Concern:

The Town of Whitestown (“Town”) writes to respond to the audit comments as presented to the Town at its February 26, 2020 exit conference and in subsequent communications with SBOA auditors.

First, the Town is again 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. The Town further notes that as a result of its financial health, stability, and policies, Standard & Poor’s (“S&P”) issued a bond rating for the Town in 2019 of “AA” with a positive outlook.

The SBOA has identified two total comments to be included in the Supplemental Report with the audit results. The first concerns bank account reconciliations, and the second concerns documentation of internal controls for review of the Town financial consultants’ monthly reconcilements. The Town engages Reedy Financial Group P.C. (“RFG”), certified public accountants, to assist with the Town’s financial accounting, including reconcilements. RFG has provided responses to both comments, which are included with this Official Response. As noted in the reconciliation comment, any applicable adjustments have already been made to the financial statements. As to the second comment, the Town will coordinate with RFG to develop written documentation of the controls for reviewing bank reconcilements for all funds.

Again, thank you for your assistance and service.

Sincerely,



Matt Sumner
Clerk-Treasurer



Clinton Bohm
Town Council President

3821359



Real Experience. Real Solutions.

PO Box 943, Seymour, IN 47274 (812) 522-9444 (ph.) (812) 522-9494 (fax) www.ReedyFinancialGroup.com

March 4, 2020

Mr. Jason Lawson
Town Manager
Town of Whitestown
6210 Veterans Drive
Whitestown, IN 46075

Dear Mr. Lawson:

In response to the Town of Whitestown's Audit Results and Comments, please see the below arguments for each of the two remarks provided by the SBOA. We understand that the language is still in draft format, but proactively, we would like to respond.

Bank Account Reconciliations

The SBOA draft audit results and comments contained *"The Town did not properly perform a bank reconciliation of all funds for the entire period. We identified reconciling items in the amounts of \$6,948 and \$4,526 for the Water Capacity and Sewer Capacity funds, respectively."*

This comment, we believe, derived from a previous Correction of Error addressed in the Audit Results and Comments. As I agree that both accounts weren't reconciled in a timely manner, they were indeed reconciled. Upon submission of the Annual Report, Reedy Financial Group was made aware of issues within both capacity reconciliations.

The Water Capacity ending cash balance is \$22 different than reported due to interest income. Per financial statements, revenues need increased by \$3,686 and expenses need increased by \$3,664. This agrees with the correction of error. However, the above stated amount of \$6,948 requires further explanation. \$6,948 does not tie to the total revenue/expense adjustments to water nor does it tie to the difference in ending cash balance.

The Sewer Capacity ending cash balance is \$16,065 different than reported due to a \$16,000 receipt entered twice along with interest income. There was also a \$51,400 error in 2017 corrected in 2018. Again, the above stated amount of \$4,526 requires further explanation. \$4,526 does not tie to the total revenue/expense adjustments to wastewater nor does it tie to the difference in ending cash balance.

It is clearly understood that when errors are identified, they are corrected within a timely manner in Gateway Annual Report.

Internal Controls

“The Town did not design and implement a system of internal control over Cash and Investment Balances.”

There are procedures in place for utility funds; however, they are not physically written or accepted by the Council. Internal controls specific to the utilities financial procedures will be completed.

Please call or email with any questions or comments.

Very truly yours,

Ms. Katelyn Shafer

CC: Mr. Steve Unger
Mr. Clint Bohm
Ms. Susan Austin
Mr. Eric Reedy, CPA

CLERK-TREASURER
TOWN OF WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2020, with Matthew Sumner, Clerk-Treasurer; Clinton Bohm, President of the Town Council; Arren Miller, Deputy Clerk-Treasurer; Susan Austin, Vice President of the Town Council; and Steve Unger, Town Attorney.