

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PITTSBORO

HENDRICKS COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
01/20/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shari Ping	01-01-18 to 12-31-21
President of the Town Council	Shelby Smith	01-01-18 to 04-21-20
	Jim Hill	04-22-20 to 12-31-20
	William Majeske (interim)	01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF PITTSBORO, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Pittsboro (Town), for the period from January 1, 2018 to December 31, 2019. 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 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.

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

January 14, 2021

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CLERK-TREASURER
TOWN OF PITTSBORO

CLERK-TREASURER
TOWN OF PITTSBORO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement. The Town had not separated incompatible activities related to certain aspects of financial transactions and reporting of the financial statement. The failure to establish these internal controls could enable material misstatements to be undetected.

Receipts

The Town did not have proper internal controls in place to ensure the accuracy of the receipts. One individual routinely recorded the receipts into the ledger, prepared the deposit tickets, and took the deposits to the bank without a documented oversight, approval, or review process in place to ensure the accuracy of the information recorded.

Financial Close and Reporting

The Clerk-Treasurer compiled and submitted the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report, without a documented oversight, approval, or review process in place to ensure the accuracy of the information submitted.

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. . . ."

COMPENSATION AND BENEFITS

Condition and Context

The Town's salary ordinances for 2018 and 2019 did not properly fix the salaries for employees and elected officials. The salary ordinances only included how the percentages of amounts paid should be allocated to the Town's funds. The Town has a salary manual that documents salary ranges for individual positions; however, it was last updated effective January 1, 2014.

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

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-3-2(b) states in part: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. . . ."

UTILITY OPERATING FUNDS USED FOR TOWN EXPENSES

Condition and Context

On December 11, 2019, the President of the Town Council ordered a total of 10 shirts and 10 jackets for the Town Council. The total cost was \$886, which was split evenly between the Town's four utilities. On August 19, 2020, there were 2 additional shirts purchased for the Town Council in the amount of \$80, which was also split evenly and charged to the same four utilities.

The August 6, 2019 Town Council minutes gave approval for the Town Manager to purchase property of three acres with three buildings for no more than \$175,000. One of the buildings was to be renovated and used as a maintenance building, and would include offices for the Town Manager, Building Commissioner, and the Assistant Building Commissioner. The actual purchase occurred in January 2020. The building will also hold meetings for the Town Council and other boards and commissions. The Town Manager oversees the utilities and its employees. The 2020 ledgers only show payments from three of the Town's utilities (water, electric, and gas) for the maintenance building.

Criteria

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016 - Part One)

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

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

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

CLERK-TREASURER
TOWN OF PITTSBORO
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2021, with Shari Ping, Clerk-Treasurer; Randy Price, Town Council member; and Jay Thompson, Town Council member.

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TOWN COUNCIL
TOWN OF PITTSBORO

TOWN COUNCIL
TOWN OF PITTSBORO
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

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Criteria

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TOWN COUNCIL
TOWN OF PITTSBORO
AUDIT RESULTS AND COMMENTS
(Continued)

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(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

TOWN COUNCIL
TOWN OF PITTSBORO
EXIT CONFERENCE

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