

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, 2020 to December 31, 2021



FILED
10/06/2022

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SCHEDULE OF OFFICIALS

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



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, 2020 to December 31, 2021. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

September 22, 2022

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CLERK-TREASURER
TOWN OF PITTSBORO

CLERK-TREASURER
TOWN OF PITTSBORO
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The Town failed to complete the Investment Fund Statement in the Annual Financial Report as required.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not reconcile its investment accounts through Trust Indiana, nor were the accounts included in the Town financial records. The investment accounts were added to the financial statement when the Town uploaded amounts to the Indiana Gateway for Government Units (Gateway) financial reporting system. In addition, the Town included the Sweep Accounts as adjusting items in the reconciliations instead of as bank accounts. Funds Ledger receipts were understated \$240 and the ending cash balance was understated \$392,567 for 2021.

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."

CAPITAL ASSETS

Condition and Context

The Town did not maintain a complete capital asset listing for 2020 or 2021.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

COMPENSATION AND BENEFITS

The same comment appeared in prior Report B56333.

Condition and Context

The Town's salary ordinances for 2020 and 2021 did not properly set the salary amounts 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 had a Salary Manual that documented salary ranges for individual positions; however, it was effective on January 1, 2014, and not updated until 2020 with an effective date of January 1, 2021.

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. . . ."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The same comment appeared in prior Report B56333.

Condition and Context

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 have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Town did not have proper internal controls in place to ensure the accuracy of the bank reconciliations. One individual was responsible for reconciling the bank accounts to the ledger; however, there was no documented oversight, approval, or review process in place to ensure the accuracy of the reconcilements.

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.

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

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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved board minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

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 comply with the State Examiner Directive and failed to upload any of the annual files on the Indiana Gateway for Government Units financial reporting system for 2020 and 2021.

Criteria

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 7)

This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st. . . for the prior year end unless the SBOA establishes a different date.

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. (Amended State Examiner Directive 2018-1)

CLERK-TREASURER
TOWN OF PITTSBORO
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2022, with Shari Ping, Clerk-Treasurer, and Jarod Baker, President of the Town Council.