

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF PENDLETON

MADISON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**

07/17/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Willie Boles	01-01-21 to 12-31-23
President of the Town Council	Chet Babb Marissa Skaggs	01-01-21 to 12-31-22 01-01-23 to 12-31-23
Utility Office Manager	Tracie Dodd	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF PENDLETON, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Pendleton (Town), for the period from January 1, 2021 to December 31, 2022. 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 the 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

June 22, 2023

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CLERK-TREASURER  
TOWN OF PENDLETON

CLERK-TREASURER  
TOWN OF PENDLETON  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

*Financial Data and Required Supplementary Information*

1. The Town's ledger is set up to record fund activity under three separate banks (Bank 0, Bank 2, and Bank 10). In 2021, the activity for Bank 2 was not reported in the AFR, causing an understatement of receipts of \$57,057, and an understatement of disbursements of \$275,384, and an overstatement of the balance at December 31, 2021, and December 31, 2022, of \$218,327.
2. The Payroll Withholdings fund overstated receipts in 2021 and overstated the balance at December 31, 2021, and December 31, 2022, by \$2,774.
3. The Construction Retainage fund was omitted, causing an understatement of receipts in 2021 and an understatement of the balance at December 31, 2021, and December 31, 2022, of \$35,555.
4. The Impact Fee Fund beginning cash and investments balance of \$42,680 was omitted, causing an understatement of the balance at December 31, 2021, and December 31, 2022, of \$42,680.
5. Activity from the Town Court is recorded in the Odyssey system and Bank 10 in the Town's ledger. No activity from Odyssey or Bank 10 was reported on the AFR, resulting in the understatement of receipts by \$200,733 in 2021 and \$304,624 in 2022, and understatement of disbursements by \$182,725 in 2021 and \$309,170 in 2022, an understatement of the balance at December 31, 2021, of \$18,008, and at December 31, 2022, of \$13,462 for the Town Court Fiduciary Fund.

Adjustments were proposed, accepted by the Town, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report.

*Grants*

1. The 20.205 Highway Planning and Construction grants in 2021 were overstated by \$1,004,617.
2. The 20.205 Highway Planning and Construction grants in 2022 were overstated by \$474,593.

*Leases and Debt*

1. A 2018 lease with the Falls Park Building Corporation was not reported, resulting in an understatement of \$236,000 of the annual lease payment.

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

2. A 2018 lease with the Pendleton Municipal Facilities Building Corporation was not reported, resulting in an understatement of \$122,500 of the annual lease payment.
3. The 2013A and 2013B Park Bonds were reported as debt; however, both had been refunded into the 2022 Park Refunding Bonds, which were not reported, resulting in a net understatement of \$2,046,000 of the annual lease payment.
4. Ending principal balances and principal due within one year were misstated for the Infrastructure Bond, Waterworks District Bond, and Electric Refunding Bonds, resulting in an overstatement of \$905,000 for the ending principal balances and an understatement of \$640,000 in the principal due within one year.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

*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. . . ."

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](#)."

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

**CAPITAL ASSETS**

The same comment also appeared in prior Report B57948.

*Condition and Context*

The Town maintained a capital asset listing; however, it was not a comprehensive listing of all of the Town's assets. The Town is working with a contractor to prepare a complete listing of capital assets valued at above a \$5,000 threshold. In addition, the Town had not completed a physical inventory of capital assets within the last two years as required.

*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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B57948.

*Condition and Context*

The Town certified on the Indiana Gateway for Government Units financial reporting system that appropriate personnel were trained on internal control standards adopted by the Town. However, review of the records revealed that not all employees whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Town, received the training.

*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](#)."

CLERK-TREASURER  
TOWN OF PENDLETON  
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2023, with Willie Boles, Clerk-Treasurer; Karen Parkison, Deputy Clerk-Treasurer; Marissa Skaggs, President of the Town Council; and Scott Reske, Town Manager.

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TOWN COUNCIL  
TOWN OF PENDLETON

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TOWN OF PENDLETON  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B57948.

*Condition and Context*

The Town did not provide audit evidence that all of the appropriate personnel received the required training on internal control standards. Review of the records revealed that not all employees whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Town, received the training.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF PENDLETON  
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2023, with Willie Boles, Clerk-Treasurer; Karen Parkison, Deputy Clerk-Treasurer; Marissa Skaggs, President of the Town Council; and Scott Reske, Town Manager.