2023

INTERNAL CONTROLS DOCUMENTATION - TOWN OF ZIONSVILLE, INDIANA

Director of Finance & Records

Zionsville, Indiana

1/26/2024

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SBOA Internal Control Training Video	https://youtu.be/L0N80PBbPHQ
Indiana Code 5-11-1-27 regarding internal controls	https://iga.in.gov/laws/2023/ic/titles/5#5-11-1-27
SBOA Directive 2015-6 Materiality Threshold for Reporting Irregular Variances, Losses, Shortages, and Thefts	https://www.in.gov/sboa/files/Directive_2015-6.pdf
SBOA Directive 2018-1 Monthly & Annual Engagement Uploads	https://www.in.gov/sboa/files/Directive-2018-1-Amended-8_22_23.pdf
Town of Zionsville's Website	https://www.zionsville-in.gov/
Ordinance 2016-20	An Ordinance Adopting Internal Control Standards
Resolution 2016-24	A Resolution Regarding Variance Thresholds
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IC 5-11-1-27 Local governmental internal controls; personnel training; violations; reporting misappropriations

(a) As used in this section, "legislative body" has the meaning set forth in IC 36-1-2-9.

(b) As used in this section, "material" means a significant or consequential amount, as determined by the state examiner and approved by the audit committee.

(c) As used in this section, "personnel" means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity.

(d) As used in this section, "political subdivision" has the meaning set forth in IC 5-11-10.5-1.

(e) In the compliance guidelines authorized under section 24 of this chapter, the state board of accounts shall define and the audit committee shall approve not later than November 1, 2015, the acceptable minimum level of internal control standards and internal control procedures for internal control systems of political subdivisions, including the following:

(1) Control environment.
(2) Risk assessment.
(3) Control activities.
(4) Information and communication.
(5) Monitoring.

The internal control standards and procedures shall be developed to promote government accountability and transparency.

(f) Not later than November 1, 2015, the state board of accounts shall develop or designate approved personnel training materials as approved by the audit committee, to implement this section.

(g) After June 30, 2016, the legislative body of a political subdivision shall ensure that:

(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

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

(h) After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

(1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and

(2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2). The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7.

(i) After June 30, 2016, if the state board of accounts finds during an audit of a political subdivision that:

(i) After June 30, 2016, if the state board of accounts finds during an audit of a political subdivision that:

(1) the political subdivision has not adopted the internal control standards and procedures required under subsection (g)(1); or

(2) personnel of the political subdivision have not received the training required under subsection (g)(2); the state board of accounts shall issue a comment in its examination report for the political subdivision. If, during a subsequent audit, the state board of accounts finds a violation described in subdivision (1) or (2) has not been corrected, the political subdivision has sixty (60) days after the date the state board of accounts notifies the political subdivision of its findings to correct the violation. If a violation is not corrected within the required period, the state board of accounts shall forward the information to the department of local government finance.

(j) All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall:

(1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;

(2) determine the internal control weakness that contributed to or caused the condition; and

(3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:

(A) the method of correcting the condition; and

(B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

(k) The legislative body or the appropriate official overseeing the internal control system shall immediately implement the policies and procedures recommended by the state board of accounts under subsection (j)(3)(B).

(l) A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

(1) information obtained as a result of a police report;

(2) an internal audit finding; or (3) another source indicating that a misappropriation has occurred; shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision.

(m) If the attorney general institutes civil proceedings related to this section or under IC 5-11-5-1, the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

(1) costs incurred by the state board of accounts; and

(2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings.

As added by P.L. 117-2011, SEC. 2. Amended by P.L. 184-2015, SEC. 6.

Controlling Ordinance

ORDINANCE NO. 2016-20
Ordinance of the Town of Zionsville, Indiana, Adopting Uniform Internal Control Standards for Indiana Political Subdivision

WHEREAS, I.C. § 5-11-1-27 requires each political subdivision to maintain a system of internal controls in order to promote accountability and transparency; and

WHEREAS, in September 2015 pursuant to I.C. § 5-11-1-27(e) the Indiana State Board of Accounts developed and published the Uniform Internal Control Standards for Indiana Political Subdivisions in order to provide the basis of common understanding to assist public sector managers in complying with the internal control requirements; and

WHEREAS, the Uniform Internal Control Standards for Indiana Political Subdivisions Manual is available on the government website at www.in.gov/sboa and contains the acceptable minimum level of internal control standards; and

WHEREAS, I.C. § 5-11-1-27(g) after June 30th, 2016 all Indiana Political Subdivisions must develop local policies regarding internal controls and insure that personnel receive training on internal controls; and

WHEREAS, I.C. § 5-11-1-27(c) defines personnel as an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity; and

WHEREAS, the Zionsville Town Council finds that the Town's policy regarding internal controls should be the internal control standards as set forth by the Indiana State Board of Accounts Uniform Internal Control Standards for Indiana Political Subdivisions Manual; and

WHEREAS, the fiscal officer of the Town of Zionsville is the Director of Finance and Records and pursuant to the Uniform Internal Control Standards for Indiana Political Subdivisions, the fiscal officer shall certify in writing that the Uniform Internal Control Standards have been adopted; and

WHEREAS, the Uniform Internal Control Standards require and mandate that the legislative body insures that personnel as defined in I.C. § 5-11-1-27 shall receive training concerning the Uniform Internal Control Standards for Indiana Political Subdivisions and that the Director of Finance and Records as the fiscal officer shall certify in writing that the personnel as defined by statute have received the required training.

NOW THEREFORE THE ZIONSVILLE TOWN COUNCIL ORDAINS AND ENACTS THE FOLLOWING:

1) That the above recitations are adopted as findings by the Town Council; and

2) It is further ordered and determined that the Town of Zionsville hereby adopts as policy the internal control standards as set forth by the Indiana State Board of Accounts Uniform Internal Control Standards for Indiana Political Subdivisions Manual as expressly written and published by the Indiana State Board of Accounts in September, 2015, and as amended from time to time; and

3) It is further ordained that at the time the annual financial report is electronically filed, the

Controlling Ordinance

(Continued)

Director of Finance and Records as fiscal officer of the Town of Zionsville shall certify in writing that the Uniform Internal Control Standards for Indiana Political Subdivisions have been adopted and shall certify that the personnel have been trained as required by law; and

4) It is further ordained that the Town Code shall be amended and it is hereby added to the Zionsville Town Code a new section which shall read as follows:

"INTERNAL CONTROL STANDARDS

The Town of Zionsville adopts as policy the Internal Control Standards as set forth by the Indiana State Board of Accounts Uniform Internal Control Standards for Indiana Political Subdivisions Manual as expressly written and published by the Indiana State Board of Accounts in September, 2015, and as amended from time to time. In order to implement these standards, the Director of Finance and Records shall certify in writing that personnel as defined in statute have received the required training. All officers, elected officials and employees are required to comply with the policy. Employees who fail to comply with this policy are subject to discipline, including but not limited to termination of their employment."

5) This Ordinance shall be in full force and effect from and after its passage and compliance with the procedures required by law.

6) It is further ordained that any ordinances inconsistent or in conflict with the terms of this Ordinance are of no further force and effect and are specifically repealed.

DULY PASSED AND ADOPTED this 28th day of Nov. 2016, by the Town Council of the Town of Zionsville, Boone County, Indiana, having been passed by a vote of 5 in favor and 0 opposed:

TOWN COUNCIL OF THE TOWN OF ZIONSVILLE, BOONE COUNTY, INDIANA

	YEA Signature	**NAY** Signature
Susana Suarez, President	Susana Suarez	
Elizabeth Hopper, Vice President	E Hopper	
Kevin Spees, Member		
Bryan Traylor, Member	[signature]	
Thomas Schuler, Member		
Jeff Papa, Member	Jeff Pa	
Josh Garrett, Member	[signature]	

Controlling Ordinance

(Continued)

I hereby certify that the foregoing Ordinance was delivered to Town of Zionsville Mayor Timothy R. Haak on the 28th day of November, 2016, at 9:00 Am.

ATTEST:

Amelia Anne Lacy, Director
Department of Finance and Records

MAYOR'S APPROVAL

Timothy R. Haak, Mayor

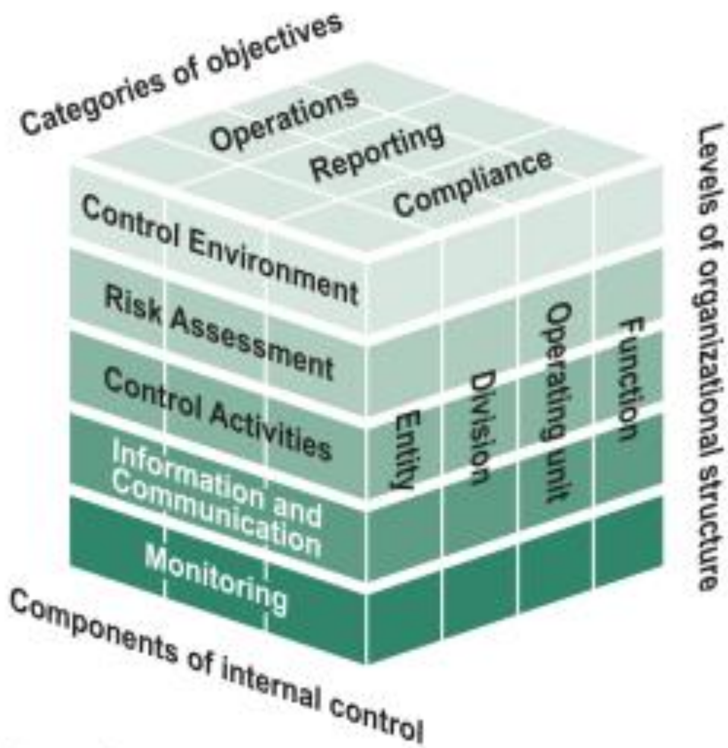
11.28.2016
DATE

MAYOR'S VETO

Timothy R. Haak, Mayor

DATE

Components, Objectives and Organizational Structure of Internal Controls



Sources: COSO and GAO. | GAO-14-704G

Five Components and Seventeen Principles

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.

2. The oversight body should oversee the entity's internal control system.

3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.

7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.

8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.

9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.

11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

12. Management should implement control activities through policies.

Information and Communication

13. Management should use quality information to achieve the entity's objectives.

14. Management should internally communicate the necessary quality information to achieve the entity's objectives.

15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

17. Management should remediate identified internal control deficiencies on a timely basis.

Source: GAO. | GAO-14-704G

Control Environment

1. Commitment to Integrity and Ethical Values

Elected officials of the Town of Zionsville (Town) take an oath of office to support the Constitution of the United States of America and the Constitution of the State of Indiana, which includes they will faithfully, impartially, and diligently discharge the duties of their office according to the law and to the best of their ability. In addition to elected officials taking an oath of office, they also adhere to many of the same guidelines outlined in the Town of Zionsville Employee Handbook (Handbook).

Town employees are required to adhere to the Handbook. A copy of the Handbook is made available to all employees upon hiring and is available through the town's third-party payroll vendor. The Handbook contains a listing of policies, procedures, and progressive discipline action for employees. Violations of the Handbook are communicated to the employee either verbally or in a formal written document. The Director of Finance and Records (DFR) is in communication with Human Resources (HR) when noncompliance is noted and the DFR has bi-weekly team meetings to discuss any deviations from policies.

The Handbook contains steps and procedures for complaints, including those including fraud and abuse of policies, to be communicated without retaliation against the employees who use the complaint process or who participates in the resolution of the complaint.

Employee disciplinary actions regarding integrity and ethical values are forwarded by elected officials or department heads to HR for corrective action, including involuntary terminations.

2. Oversight

Per Ordinance No. 2016-20 and Indiana Code 5-11-1-27, the Town Council is the named oversight body for establishing financial internal controls for the town. The town has established an ordinance complying with the uniform internal control standards for Indiana political subdivisions in accordance with Ind. Code 5-11-1-27(g) (see Controlling Ordinance No. 2016-20, page 5).

Ind. Code 5-11-1-27(j) requires all material variances, losses, shortages, or thefts of town funds or property be immediately reported to the Indiana State Board of Accounts. Because the statute does not define 'material', State Examiner Directive 2015-6 provides all political subdivisions must recognize that variances, losses, shortages, and thefts may occur and must develop their own policy on materiality, which includes a materiality threshold at which point the town would report incidents to the Indiana State Board of Accounts. The town adopted Resolution No. 2016-24 regarding variance thresholds to the town and it defines a material variance. A copy of Resolution No. 2016-24 may be found in Appendix A to this document.

The DFR has established written policies and procedures to oversee the receipt of payments coming into the Finance Department of the town and other daily bookkeeping tasks. The town has established a Municipal Action Center (MAC), where many citizen and customer payments are initially collected. A copy of the internal control policies specific to the MAC is included as Appendix B to this document. Oversight is achieved by the establishment of internal controls incorporated into defined job descriptions, policies, procedures, and communication with other elected officials and department supervisors.

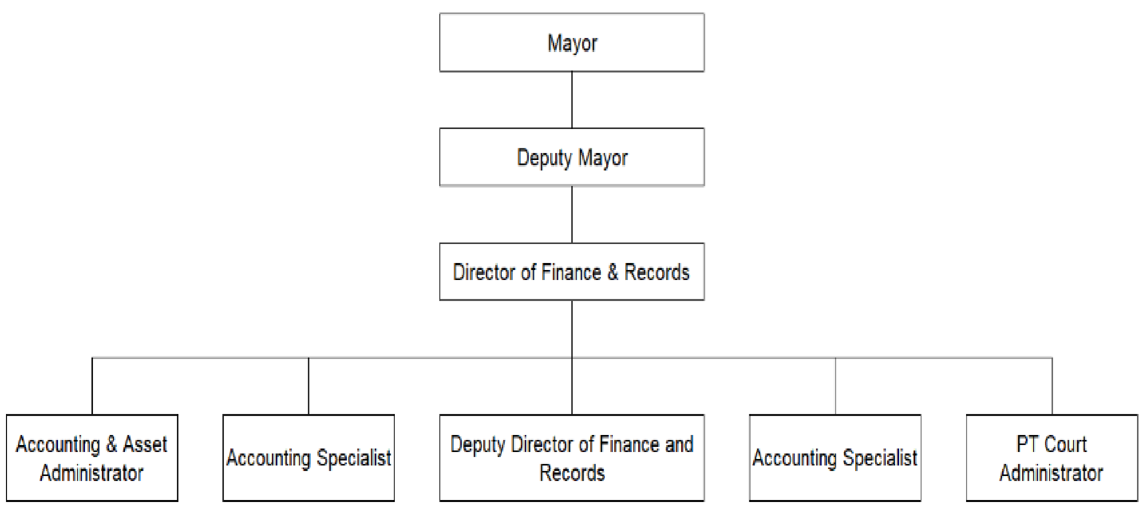
3. Organizational Structure, Responsibilities and Authority

The Town of Zionsville, Boone County, Indiana (primary government) was established under the laws of the State of Indiana and operates under a Town Council form of government. In May 2014, under the authority granted by Indiana Code 36-1.5, Resolution No. 2014-11 was adopted that merged the town and a township into one governmental unit. The reorganized town structure called for the elected office of Clerk-Treasurer to be renamed Mayor as of January 1, 2015. The duties of Clerk-Treasurer were delegated by the Mayor to the Department of Finance and Records and the new Mayoral appointed position of DFR of Finance and Records was created.

The town provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative, and wastewater. The accounting policies of the town are in place to conform with the *Accounting and Financial Regulatory Reporting Manual* prescribed by the Indiana State Board of Accounts.

The town publishes on its website (https://www.zionsville-in.gov/444/Elected-Officials) a listing of all elected and appointed officials.

The Department of Finance and Records' organizational structure is as follows:



Information current as of December 2023

Outlines of specific duties within the Department of Finance and Records and the MAC are included in job descriptions and through informal procedures. The DFR, along with HR, have developed written job descriptions for employees in the office. The written duties are maintained by HR, but finance employees can obtain a copy through the DFR.

4. Recruiting, Development and Retention Policies

The Town Council and HR are responsible for ensuring staffing needs for the town are met according to local, state, and federal guidelines. In addition, the Town Council and HR are responsible for the coordination, development, and administration of personnel policies and procedures relating to employment and benefits for employees of the town. The town's webpage allows potential employees to view available jobs and apply online (https://www.zionsville-in.gov/Jobs.aspx). All new potential employee candidates must be qualified and have the skills necessary to meet or exceed the requirements listed for the job description. Prior to employment, individuals may be subject to pre-employment background screening and/or a credit history check. Employees of the Department of Finance and Records receive information via periodic training. The DFR attends training opportunities available from the Indiana State Board of Accounts and Indiana Department of Local Government Finance.

5. Internal Control Performance Evaluations and Accountability

Employees of the Department of Finance and Records have periodic performance reviews conducted by HR. Town officials plan to implement quarterly reviews in the near future. The DFR informally reviews the work of employees throughout the year and deviations from set procedures and policies are addressed as needed. Follow-up actions for failure to adhere to controls can result in written reprimands and possible termination.

The Town Council has engaged outside resources to systematically document internal controls in this document and assist town officials with ongoing training and development of procedures.

Risk Assessment

6. Risk Objectives

The DFR manages risk assessment by the continuing evaluation of established internal control forms, policies, and procedures that have been put in place to oversee the objective(s) will be met. Written employee job descriptions and employee evaluations ensure qualified employees are retained as employees for the town. Many objectives are outlined in the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns* (issued by the Indiana State Board of Accounts), the Indiana Code, local ordinances and resolutions, and grant agreements.

Risks associated with the safeguarding of assets within the Department of Finance and Records are assessed by the DFR. Doors to the office are locked during non-business hours. During the day, entry by non-employees is restricted by locked doors that can only be opened by office personnel. Cash risks are mitigated by the locking of cash bags in a safe in a locked room.

7. Identification, Analysis and Response to Risk

Elected officials, department heads and supervisors will identify, analyze, and respond to the risks related to achieving the defined objectives by management oversight and continued evaluations of internal controls over objectives. Management will develop a specific solution and action for each identified potential new risk and will update the corresponding written policies, procedures, and internal controls for those new risks.

The DFR identifies risks to estimate the effect on achieving defined objectives. One example involves signing (as approving and certifying) accounts payable vouchers. If accounts payable vouchers are not properly documented with approval signatures, the DFR analyzes the reasons for the departure from policy and communicates with the originator of the voucher to correct the error.

The DFR responds to the risk of material variances or monetary losses by contacting the Indiana State Board of Accounts as required by statute. The town defined material variances in Resolution No. 2016-24 as $1,000 for cash items and $5,000 for non-cash items (see Appendix A). Although it hasn't occurred recently, any loss or shortage due to suspected employee theft or misappropriation would be immediately reported to law enforcement and the Indiana State Board of Accounts.

8. Fraud Considerations

Management is committed to fraud prevention by utilizing a "trust but verify" approach. The potential for fraud, misappropriation and outright theft are contemplated as controls are designed for various town departments. The DFR and employees of the department manage fraud by continued oversight of day-to-day operations and formally and informally designed policies and procedures. Additionally, management and the DFR are aware of and abide by state statute requiring the reporting of material variances, losses, shortages, or thefts to the Indiana State Board of Accounts (IC 5-11-1-27(j)) and also report misappropriation of funds (IC 5- 11-1-27(l)) to the Indiana State Board of Accounts and the Prosecuting Attorney.

9. Monitoring for Significant Changes to Risk

Personnel whose regular duties include having access to cash have taken the minimum internal control training from the Indiana State Board of Accounts (https://youtu.be/L0N80PBbPHQ), either individually or during onboarding through HR. Documentation of the training for newer employees is maintained in HR.

Management evaluates the current financial software for risks in recording, reporting, etc. and determines if existing controls will continue to be effective and if new controls need to be designed and implemented. Management is aware that changes in financial reporting require a review of internal controls regarding the compilation of the town's financial statements.

Control Activities

10. Control Activities Overview

Receipts – Departments Walk-in Payments

Citizens and customers can make payments to the town in various ways. Depending on the service the citizen is requesting, they will need to go to the corresponding department. The departments can accept check, money order or credit card payments. The town is no longer accepting cash for walk-in payments. All departments will follow this process, except for the Golf Course, Fire CPR, and Nature Center/Park Concessions. The exceptions will have their own documented policy and procedures to follow. Each department will create their own receipt batch for the month. The designated person responsible for taking payments for the department will receipt the payment into KeyFund and print the customer a receipt. At the end of the day, the person receipting the payments will print a Receipt Transaction Report from KeyFund. They will review the report and match up the payments they have taken in for the day and confirm the amounts agree to each other. The designated person will then sign and date the top of the report. The report and payments are to be given to the Department of Finance and Records Accounting and Asset Administrator (AA Administrator) no later than the next day. If by chance the designated person is unable to print the report and verify the payments at the end of the day, they can give the payments to the Department of Finance and Records for safekeeping overnight. The designated person will then complete the process the next morning. The AA Administrator will verify the payments to the report, then will also sign and date the report. The AA Administrator will make the deposit with the bank. This process is for the payments that are taken from a walk-in customer.

Receipts - Departments Mailed/Dropbox Payments

Mail-in payments that go to the departments will also be given to the Accounts Receivable Accounting Specialist (AR Specialist) to be receipted, along with payments collected from the drop box. The only exception to this is wastewater payments. If wastewater payments are put in the drop box, the Wastewater Billing Administrator will process them. The department will complete a Report of Collections form for the payments received that day via mail or drop box. The report and corresponding payments are to be given to the AR Specialist in the Department of Finance and Records no later than the next business day. The AR Specialist will receipt the payments in their daily batch. They will be part of the daily deposit process that is documented in the next section, “Receipts (Finance & Records)”

REPORT OF COLLECTIONS

TO: Cindy R Poore
Director of Finance & Records

DEPT: ____________________
Collections for Period ____________________

Description	Fund/line#	Check Amount	Credit Card Amount
	Total Amount Collected	$0.00	$0.00

I hereby certify that the foregoing is a true and correct report of collections due the above named government unit for the period shown.

Dated this ________________________
DAY MONTH YEAR

____________________ Signature

____________________ Title

The Official to whom the report is made must issue an official receipt for the collections remitted.

<u>Receipts – Department of Finance and Records</u>

The AR Specialist will receipt all incoming revenue daily into KeyFund, the town's accounting software, except for the customer walk-in payments received by the departments. The day's payments are to be placed in the safe within the Department of Finance and Records' locked safe room. The AR Specialist signs, then emails a copy of the Receipt Transaction List to the AA Administrator. The next morning, the AA Administrator retrieves the previous day's payments from the safe and verifies everything with the Receipt Transaction List that the AR Specialist emailed the day before. If everything is correct, the AA Administrator will also sign the Receipt Transaction List and electronically file it on the F:/ drive in the designated folder. Once these steps have been completed, the AA Administrator will deposit checks received with the bank. This is generally done via deposit on site. The checks, Report of Collections, credit card receipts, and the deposit on site report get bound together and filed in the bankers box located in the Department of Finance and Records' locked safe room

<u>Receipts – Wastewater and trash payments</u>

All Wastewater and trash payments received electronically, through the mail, or from the drop box, are the responsibility of the Wastewater Billing Administrator and Wastewater Executive Assistant. All payments are processed through Incode and recorded in Keystone. Checks are scanned by the Wastewater Billing Administrator and deposited by remote capture. All payments are included in accounting system reports that are printed, initialed by the Wastewater Billing Administrator, and reviewed/signed by the Wastewater Executive Assistant.

Disbursements – Accounts Payable Vouchers (APV)

The support staff in each department handles the itemization of packing slips, and related information and matches them to an invoice. Then, the department administrator/supervisor prepares an electronic APV forms, chooses the appropriation accounts, scans the supporting invoice and other documentation, and saves all the electronic information into a folder on the town's server. The DFR has access to the folder and the Accounts Payable staff member enters the APV data into Keystone. It's at this point a batch is created and APVs stay in the batch until pulled into a Council Docket. The DFR, Deputy Director of Finance and Records, or AA Accounting Administrator will check the APVs on the Docket for accuracy against the original paperwork that was submitted from the department. The Docket is returned to the departments to perform a review for accuracy.

After Town Council approval, checks are printed by the Accounts Payable Specialist, who confirms they agree to the check register/docket and the listing is signed. Next, the checks and register go to the AR Specialist for review/verification (by signature on the register). Finally, the AR Specialist ensures the checks are mailed out to the payees. The checks are electronically signed. Most outgoing payments are made by check, but some are made electronically, and vendors can apply to have payments made to them via Automated Clearing House (ACH). Paper check stock is maintained in numerical order in a locked room and the DFR and Deputy Director have access.

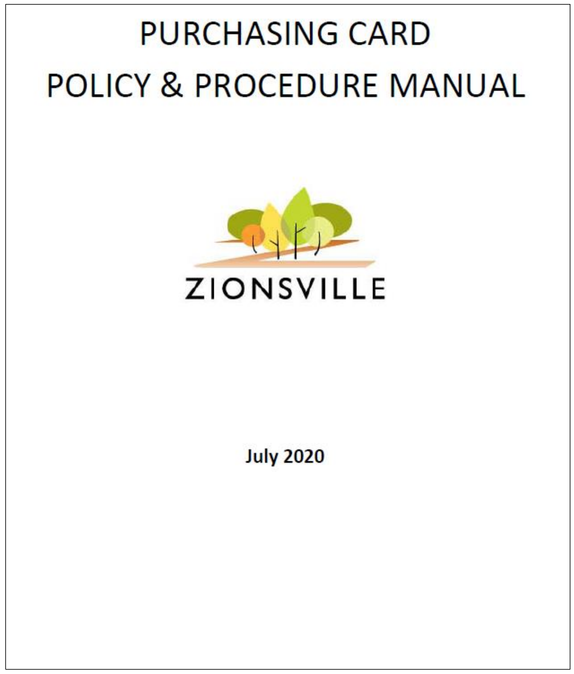
Action Item: While the Department of Finance and Records has established internal controls related to expense payment, most were not documented in writing. Best practices in accordance with Indiana State Board of Accounts guidelines provide internal control policies and procedures be documented in written form. All internal controls, policies, and procedures regarding APV payments should be formalized in writing. The written controls should not only include the procedures implemented, but also specifically provide for oversight and review/approval processes, such as signatures, initials, etc. The written controls should describe how evidence of oversight and approval will be documented and retained, as this evidence will be what the Indiana State Board of Accounts will be concerned with during an audit.

The Town Council adopted Ordinance 2018-03 on April 16, 2018, permitting certain expenses to be paid in advance of council approval. A copy of Ordinance 2018-3 can be found in Appendix C.

Disbursement – Procurement Cards

The town uses a Purchasing Card, or P-Card, to establish a more efficient, cost-effective method of purchasing and paying for goods and services within established limits. The card is used in a manner like a credit card. Employees can be issued P-Cards by contacting the P-

Card Coordinator to obtain the necessary approval. Details and specific internal controls are documented in the *Purchasing Card Policy and Procedure Manual* (Manual) published by the town. The Manual is available to all town officials and employees. A complete copy of the Manual was not included in this document due to its length.


PURCHASING CARD
POLICY & PROCEDURE MANUAL

ZIONSVILLE

July 2020

Although the card is issued in the name of the town official/employee, it is the property of the Town of Zionsville and is to be used only for official town business purchases. Personal use of the card is prohibited.

As provided for in the Manual, purchases require detailed transaction documentation from the vendor. The detailed receipt/invoice must be uploaded to the transaction on the official's/employee's online purchasing card account. All receipts must be uploaded within seven business days of the date the card was used.

Once information is uploaded and entered into the online purchasing website, the purchase goes to the supervisor for approval. Once the supervisor approves, the transaction is forwarded to the Purchasing Card Coordinator for processing and potential additional approvals. All documents uploaded, reviews, and approvals are noted online.

The Manual contains policies and procedures to clearly document what a P-Card can be used for and what it can't be used for.

The P-Card issuer pulls money from a town bank account generally around the 25th of a month. A payment on the 25th represents P-Card activity from the prior month.

Disbursements - Payroll

Employees in the Finance Department clock into an electronic time clock through their payroll software (ADP). Employees approve their own timecard, with the DFR performing a subsequent review and approval. The DFR has a working knowledge of the work schedules of employees and the review would quickly note any abnormalities and would prompt inquires and resolutions before final approvals were given. An ADP report, prepared from data collected from employee time clock entries, is generated by the Payroll Administrator, and sent to the DFR and Deputy Director. The Deputy Director initiates a bank transfer from the general and wastewater accounts to the payroll bank account. The Deputy Director prints the transfer report, signs it, and forwards to the DFR. The DFR verifies the transfer amounts and signs the report as approved. Verified and approved reports and receipts are maintained in the Finance Department. Once approved, HR also reviews the payroll information and authorizes ADP to process and pay employees. Payments are made by direct deposit; no paper payroll checks are issued.

Procedures have informally been established for when changes to pay rates occur, like an employee is promoted and receives a raise, or all employees are given an across-the-board raise. For individual pay rate changes, the department supervisor submits a change of status form to HR for the employee being promoted. HR enters it into the ADP system. After entering, an electronic workflow is triggered that first goes to the department supervisor for review and approval. From there, it’s forwarded to the Director of HR for an additional review/approval. Finally, the workflow goes to the Deputy Mayor for final review and approval. For across-the-board pay raises, the Payroll Administrator enters the new pay information into ADP. Once entered, the Director of HR reviews it for accuracy. After HR’s review, each department supervisor reviews their department information to ensure it’s been entered correctly.

If payroll adjustments are necessary, HR and the DFR can make changes (for example, if an employee took a day of paid leave, but they ended up working that day instead), but once changed, the employee has to go back into the payroll system and re-approve their timecard. The ADP system is used to track employee paid leave accruals, leave taken off, and leave balances.

Resolution 2014-11 concerning the reorganization of the town was adopted on May 20, 2014. It provides, subject to Town Council approval via ordinance, the Mayor fixes the salary of each appointive officer, deputy, and other employee of the town. The Town Council can reduce, but not increase, any compensation fixed by the Mayor. Established salaries may be increased or decreased by the Mayor. The Town Council fixes the salary for all elected officials each year. Elected official compensation cannot be changed in the year for which it is fixed.

Action Item: While the Department of Finance and Records and HR have established internal controls related to payroll, some were documented in writing and others not. Best practices in accordance with Indiana State Board of Accounts guidelines provide internal control policies and procedures be documented in written form. All internal controls, policies, and procedures regarding payroll should be formalized in writing. The written controls should not only include the procedures implemented, but also specifically provide for oversight and review/approval processes, such as signatures, initials, etc. The written controls should describe how evidence of oversight and approval will be documented and retained, as this evidence will be what the Indiana State Board of Accounts will be concerned with during an audit. As of the date of this report, the DFR was already in the process of updating some existing controls related to payroll and those written updates are expected to be completed in the near future.

Bank Reconcilements

The AA Administrator is responsible for reconciling the town bank accounts to the accounting ledger, with the Deputy Director of Finance and Records serving as the back-up. After completion, the bank reconcilements are forwarded to the DFR for review and approval. Reviews and approvals are documented be electronic signature as illustrated below:

Mia Riley Digitally signed by Mia Riley Date: 2023.05.25 15:00:31 -04'00'

Cindy R. Poore Digitally signed by Cindy R. Poore Date: 2023.05.30 09:30:11 -04'00'

Installed by the Town of Zionsville-2023

Page : 1
Date : 05/25/2023 02:58:32 PM
BANK_REC_STMT.FRX
User ID: MIA

Depository Statement and Cash Reconcilement
Bank Rec. Batch - 16
Bank - 16-PNC | SEWAGE CONSTRUCTION
FOR THE MONTH ENDING APRIL, 2023

Depository Balance: 2020206.25

Deduct Outstanding Warrants/Deposits:

DATE	WARRANT #	NAME	CK=WARRANT DEP=DEPOSIT	AMOUNT
		Outstanding Deposits:	0	
		Outstanding Warrants:	0	

Net Depository Balance:	2020206.25
Subtract Deposits in Transit:	0.00
Add Cash on Hand:	0.00
Record Balance:	2020206.25

Compliance with Federal grant requirements

From time to time, the town receives grants and other financial assistance from the Federal government. Federal grants have two compliance components – those common to all Federal grants and those specific to an individual grant. For most Federal grant compliance requirements, the town has informal policies and procedures in place, but these internal controls are not in writing. For some other grant compliance requirements, controls have not been implemented.

As an example, one compliance requirement common to most, if not all, Federal grant awards is titled "Procurement and Suspension and Debarment". Basically, if a grantee (town) expends Federal dollars from a grant, they have a responsibility to ensure those payments are made to entities/vendors who have not been suspended or debarred by the Federal government from participating in Federal programs. To comply with this requirement, the town would need to have controls in place to determine if an entity/vendor had been suspended or debarred and would need to document how they accomplished that through their established procedures.

Action Item: Federal guidelines require grantees to establish and maintain effective internal control over Federal awards that provide reasonable assurance that the grantee (town) is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Best practices in accordance with Federal and Indiana State Board of Account guidelines provide internal controls designed to ensure compliance with Federal guidelines be documented in writing and provide a mechanism to capture, record, and maintain evidence that the procedures were followed, and controls were working as intended. This item will be very fluid and could vary based on the Federal grant. When a Federal grant is awarded, the town should consult with the Federal grantor agency or local pass-through entity to determine compliance requirements specific to their grant, followed by design and implementation of written controls that address those requirements.

Accounting System

The Department of Finance and Records converted to Keystone accounting system in January 2023. The system is designed so that certain people/positions can be granted certain permissions and access. Finance duties are segregated as much as possible, so employees have access only to the parts of the accounting systems that relate to their duties. Keystone is programmed so users have their own unique logins and passwords.

11. Information System Control Activities Overview

As previously described, the town has used Keystone accounting software since January 2023. This software is programmed for use by town governments in Indiana and is widely used. The software requires employees to have their own password to log in along with other features.

12. Control Activity Policies

The Employee Handbook is available through the town's third-party vendor payroll provider. The Handbook is constantly evolving and is updated as changes are made and approved. Changes are communicated to town employees through town-wide emails.

The Handbook contains policies and procedures regarding work hours and attendance; absenteeism; remote work policy; nursing mothers; solicitation; professionalism; compensation; paid time off and leaves of absence; and travel and training.

Information and Communication

13. Quality Information Policies

The Department of Finance and Records is current with appropriate state statutes and local county ordinances.

Any changes in current statutes, regulations, grant requirements and local ordinances are discussed and reviewed as needed. The DFR (and sometimes staff) receives training and updating from the Indiana State Board of Accounts, Indiana Department of Local Government Finance, Accelerating Indiana Municipalities, and other professional associations, and Town Attorney. The DFR will hold informal internal meetings as needed to discuss new requirements, compliance issues, etc.

14. Internal Communication of Quality Information Policies

Dates, locations, agendas, and minutes of public meetings are posted on the town's website. Internally, emails are sent to provide reminders, solicit agenda items, and provide clarification of the information provided. Interdepartmental and intradepartmental emails and communication occur to share ideas, communicate important and sometime urgent information, and other general items.

15. External Communication of Quality Information

External communication occurs during public meetings, various public reporting, and electronic means.

External communication also occurs in reporting financial activity to various agencies. The DFR is aware of various required financial reporting, however, internal controls over reporting have not been established in writing. The Indiana Code requires electronic financial reporting to the State. This is accomplished through the Indiana Gateway for Government Units (Gateway), an online portal for all Indiana political subdivisions to report various items. Established written procedures don't exist for the uploading and reporting of the town's Annual Financial Report (AFR), including the Schedule of Expenditures of Federal Awards (SEFA) into Gateway. The AFR is the source for the town's financial statements that are audited by the Indiana State Board of Accounts. Current informal procedures for the AFR include the DFR and Deputy Director working together on submitting the report. In the past couple of years, due to staffing turnover, the town has relied on their municipal advisor to help review data entered into the AFR and then submitting it.

Action Item: Best practices in accordance with Indiana State Board of Accounts guidelines provide policies, procedures, and controls be designed, documented in writing, and implemented regarding the reporting of the AFR, including the SEFA. The written policies and procedures should provide for oversight and review by someone not involved in the uploading/inputting of data into the AFR.

As an example, the Deputy Director of Finance and Records could prepare the financial information needed for the AFR and input it into Gateway. Then, prior to submission, the DFR would review the AFR data, looking for errors, incomplete data, etc. Any errors or corrections should be documented in writing. Once the DFR has reviewed the AFR and had any questions or concerns addressed, the DFR would document, in writing, the AFR has been reviewed and is ready for submission. Such documentation could be initialing a draft hardcopy of the AFR, or signing a written document stating the AFR has been reviewed and is correct to the best of their knowledge. To assist with establishing this procedure, we recommend using the forms illustrated in Appendices D-E (or similar ones adapted by the Town) to document the completion of the entry of financial data (and by whom) with oversight/review. The AFR, including the SEFA, could then be submitted within Gateway. The forms in Appendices D-E could be presented to the Indiana State Board of Accounts during subsequent audit engagements to document the internal controls established are taking place.

In addition to the AFR, each month other financial data is required to be uploaded into Gateway. Also, at the end of each year, annual financial data (data not included in the AFR) is required to be uploaded into Gateway. A listing of the various data and reports required to be uploaded can be found in the Gateway *User Guide for Monthly and Annual Engagement Uploads*. Currently, the Deputy Director is tasked with these uploads, and the DFR's plans are for the AA Admin to take over those duties in the near future. However, procedures for these monthly and annual uploads are not documented in writing.

Action Item: Best practices in accordance with Indiana State Board of Accounts guidelines provide written internal controls be established and implemented to ensure compliance with the State's requirement to submit the necessary reporting to Gateway on a monthly and annual basis. The written controls should provide for documented oversight and review prior to upload. For example, Employee A could prepare the documents to be uploaded, and Employee B would review the documents for accuracy and completeness prior to submission. The oversight review by Employee B should be documented in writing as evidence the internal controls and procedures are being followed. The form in Appendix F (or similar adaptation) could be used to document the internal control of creating the financial data occurs (and by whom) and said data was reviewed and approved prior to uploading in Gateway. It will be this documented evidence of internal control implementation that the Indiana State Board of Accounts will be interested in during an audit.

Another aspect of external communication is financial reporting of grant activity to grantor agencies. All grants the DFR is aware of are reported monthly, quarterly and/or annually as required. Grant applications are completed, and grant reporting is submitted to the appropriate authorities/agencies. However, written internal controls have not been established to segregate the preparation and submission of required reporting.

Action Item: Best practices in accordance with Indiana State Board of Accounts guidelines provide the DFR develop, in writing, and implement internal controls for grant reporting to ensure timely and accurate reporting. The written controls would segregate report preparation from oversight and review. For example, Employee A could prepare a grant report. Then Employee B could document their review of the report, noting any errors and error corrections. Once determined to be correct and Employee B's approval was documented, the grant report could then be submitted to the proper authorities. A written form could be developed by the DFR to document the preparation of grant reporting by an employee(s) and the subsequent review and approval by a person(s) not involved in the generation of the report. Such a form would be retained as evidence for an audit that duties were segregated, and a system of oversight and approval existed. This documented evidence would be what the auditors from the Indiana State Board of Accounts would be interested in.

Monitoring

16. Ongoing monitoring activities

    The DFR reviews accounts payable vouchers, payroll, bank reconcilements, and other items at different times and intervals as previously described. Any issues noted are addressed quickly. The DFR also monitors the activity of office personnel and will take appropriate action for noncompliance with established policies. The DFR is updating existing protocols and implementing new procedures as needed to ensure controls are sufficient.

17. Remediation of internal control deficiencies

    The DFR will all act to remediate either internally or externally (Indiana State Board of Accounts audit finding) noted internal control deficiencies on a timely basis and update the current internal control structure to eliminate the identified deficiency. This will be accomplished through adherence to existing internal controls which are designed to identify deficiencies, managements daily oversight, and monitoring and communication designed internal controls.

    The Town Council oversees the design, implementation, and operation of internal controls. No individual or department has absolute responsibility over internal control procedures. Failure of internal controls must be mitigated through collaborative communication between elected officials and employees.

Appendix A: Materiality Threshold Resolution No. 2016-24

RESOLUTION NO. 2016-_24____
OF THE TOWN OF ZIONSVILLE

A RESOLUTION REGARDING VARIANCE THRESHOLDS APPLICABLE TO THE TOWN OF ZIONSVILLE

Whereas, IC 5-11-1-27(j) requires erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the State Board of Accounts; and

Whereas, State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality; and

Whereas, the Town of Zionsville does not condone any erroneous or irregular variances, losses, shortages, or thefts of political subdivision funds or property but recognizes that relatively small items may not justify the cost of the involvement of the State Board of Accounts; and

Whereas, the Director of Finance and Records has issued a directive, attached hereto as Appendix A, stating a policy on materiality and a process for reporting material items;

Now, therefore, be it resolved:

Section 1. The Town Council of the Town of Zionsville hereby endorses the Director of Finance and Records declaration, attached here to as Appendix A and incorporated herein by reference, regarding a policy on materiality and a process for reporting material items.

Section 2. The Town Council of the Town of Zionsville calls upon the Director of Finance and Records and all Town of Zionsville officials, employees, and agents to enforce and comply with the policy on materiality and process for reporting material items and to report noteworthy items to the Deputy Mayor.

Section 3. The Town Council of the Town of Zionsville directs its Deputy Mayor to monitor, as it deems necessary, compliance with the policy on materiality and process for reporting material items and report noteworthy items to the Town of Zionsville Town Council.

Section 4. The Town Council of the Town of Zionsville asks the Director of Finance and Records to advise the Town of Zionsville Town Council of any changes in the policy on materiality and process for reporting material items.

Section 5. This Resolution shall be in full force and effect upon its passage and signing by the Mayor.

Appendix A: Materiality Threshold Resolution No. 2016-24

2016-24

DULY PASSED AND ADOPTED this 31st day of October 2016, by the Town Council of the Town of Zionsville, Boone County, Indian, having been passed by a vote of 6 in favor and 0 opposed:

TOWN COUNCIL OF THE TOWN OF ZIONSVILLE, BOONE COUNTY, INDIANA

	YAY Signature	NAY Signature
Susana Suarez, President	[signature]	
Elizabeth Hopper, Vice President	[signature]	
Kevin Spees, Member	Absent	
Bryan Traylor, Member	[signature]	
Thomas Schuler, Member	[signature]	[signature]
Jeff Papa, Member	[signature]	
Josh Garrett, Member	[signature]	

I hereby certify that the foregoing Resolution was delivered to Town of Zionsville Mayor Timothy R. Haak on the 31st day of Oct 2016, at 11:00 Am.

ATTEST:

[signature]

Amelia Anne Lacy, Director
Department of Finance and Records

MAYOR'S APPROVAL

[signature] 10.31.2016

Timothy R. Haak, Mayor **DATE**

MAYOR'S VETO

Timothy R. Haak, Mayor **DATE**

Appendix A: Materiality Threshold Resolution No. 2016-24

Appendix A

Town of Zionsville
Policy on Materiality and Process for Reporting Material Items

For purposes of establishing a materiality threshold and reporting of material variances to the State Board of Accounts, the following shall serve as the Town of Zionsville's (the "Town") materiality policy.

Section 1. All erroneous or irregular variances, losses, shortages, or thefts of the Town subdivision funds or property, or funds or property the Town holds in trust, shall be reported to the Director of Finance and Records (the "Director") or their designee promptly.

Section 2. Within 60 days of being reported to the Director, the Director must report to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of cash in excess of one thousand dollars ($1000), except for inadvertent clerical errors that are identified timely and promptly corrected with no loss to the Town.

Section 3. Within 60 days of being reported to the Director, the Director must report to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of non-cash items in excess of five thousand dollars ($5,000), estimated market value, except for those resulting from inadvertent clerical errors or misplacements that are identified timely and promptly corrected with no loss to the Town, and except for losses from genuine accidents.

Section 4. Town personnel are responsible for completing the following steps for each report filed under Section 2 and Section 3:

A. All erroneous or irregular variances, losses, shortages, or thefts, regardless of dollar amount, will be tracked and maintained by the Director. Town's Deputy Mayor shall review the spreadsheet on a monthly basis.

B. The Director or his/her designee will perform appropriate procedures based on his/her sole discretion which may include, but are not limited to the following:

   i. Confirming the dollar value of the variance, loss, shortage, or theft.
   ii. Obtaining relevant documentation supporting the variance, loss, shortage, or theft.
   iii. Implementing internal control procedures to mitigate any risks identified as a result of the variance, loss, shortage, or theft.

Section 5. All Town elected officials are asked, and all Town of Zionsville employees and agents are directed, to comply with this policy, and the Town of Zionsville Town Council is asked to endorse it.

Executed this 31st day of October, 2016.

Amelia Anne Lacy
Amelia Anne Lacy, Director
Department of Finance and Records

Appendix B: Ordinance No. 2018-03 Allowing Payment In Advance

ORDINANCE NO. 2018 - _03___

OF THE TOWN OF ZIONSVILLE, INDIANA

AN ORDINANCE TO AMEND ORDINANCE 2008-10 TO ALLOW THE ZIONSVILLE DIRECTOR OF FINANCE AND RECORDS TO MAKE CERTAIN CLAIM PAYMENTS IN ADVANCE PURSUANT TO INDIANA CODE § 36-5-4-12

WHEREAS, The Town of Zionsville adopted Ordinance 2008-10 on June 2, 2008 to vest in the then Zionsville Clerk-Treasurer the authority to make certain claim payments in advance pursuant to Ind. Code § 36-5-4-12; and

WHEREAS, Ind. Code § 36-5-4-12 allows the Town Council to adopt an ordinance allowing money to be disbursed by the Director of Finance and Records to disburse money for preapproved payments of claims for any lawful town purposes; and

WHEREAS, the Town Council believes that such authority shall assist the Town in timely paying for services and goods, create cost savings for the Town, and foster better working relationships with vendors and service providers.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Town Council of the Town of Zionsville, Indiana that:

Section 1. Repeal and Replace. Ordinance No. 2008-10 is hereby repealed and replaced with the following.

Section 2. Authority for Advanced Claim Payments. The Director of Finance and Records and/or his/her designee shall have the authority to make claim payments in advance of approval from the Town Council for the following types of expenses:

a. Property or services purchased or leased from:

   i. the United States government; or

   ii. an agency or a political subdivision of the United States government.

b. License fees or permit fees.

c. Insurance premiums.

d. Utility payments or utility connections charges.

e. Federal grant programs if:

   i. advance funding is not prohibited; and

   ii. the contracting party provides sufficient security for the amount advanced.

f. Grants of state funds authorized by statute.

g. Maintenance agreements or service agreements.

h. Lease agreement or rental agreements.

i. Principal and interest-payments on bonds.

j. Payroll.

k. State, federal, or county taxes.

l. Expenses that must be paid because of emergency circumstances.

m. Expenses described in an ordinance.

Section 3. Expenses Described in Ordinance. The Director of Finance and Records and/or his/her designee shall additionally have the authority to make claim payments in advance of a board allowance for the following expenses:

a. Credit card payments.

b. Line of credit payments.

c. Payments to vendors for routine parts and supplies.

d. Payments for clerical and administrative supplies.

e. Payments for gasoline and vehicle maintenance services and supplies.

f. Claims to the state of Indiana for the amount of any sales tax and excise tax due to the State of Indiana on the Town's gross retail income derived from furnishing, preparing, serving and selling food and beverages pursuant to I.C. 6-9-35.

g. Year End Advance Claim Payments. The Director of Finance and Records is authorized and directed to disburse money from Town funds to pay claims in advance, by December 31 of each calendar year, for expenses of the type listed in I.C. 36-5-4-12(b), which have been submitted to and received by the town, are supported by a fully itemized invoice or bill, have been certified by the Director of Finance and Records, and are included in and capable of being paid under the Town's then current approved budget.

Section 4. Documentation of Claims. The Director of Finance and Records shall ensure that each payment of expenses paid in advance shall be supported by a fully itemized invoice or bill and certification by the Director of Finance and Records.

Section 5. Council Review of Claims. The Town Council shall review and allow the claim at the Council's next regular or special meeting following the preapproved payment of the expense.

ORDINANCE #2018-03

Section 6. Construction of Clause Headings. The clause headings appearing herein have been provided for convenience and reference and do not purport and shall not be deemed to define, limit or extend the scope or intent of the clause to which they appertain.

Section 7. Repeal of Conflicting Ordinances. The provisions of all other Town ordinances in conflict with the provisions hereof, if any, are of no further force or effect and are hereby repealed.

Section 8. Severability. If any part of this Ordinance shall be held invalid, such part shall be deemed severable and the invalidity thereof shall not affect the remainder of this Ordinance.

Section 9. Duration and Effective Date. The provisions of this Ordinance shall become effective immediately and remain in full force and effect until repeal by ordinance.

DULY PASSED AND ADOPTED this 16th day of April, 2018, by the Town Council of the Town of Zionsville, Boone County, Indiana, having been passed by a vote of 4 in favor and 0 opposed.

TOWN COUNCIL OF THE TOWN OF ZIONSVILLE, BOONE COUNTY, INDIANA

	YEA Signature	NAY Signature
Josh Garrett, President		
Bryan Traylor, Vice President		
Kevin Spees, Member		
Thomas Schuler, Member		
Jason Plunkett, Member		
Elizabeth Hopper Member		
Susana Suarez, Member		

Appendix B: Ordinance No. 2018-03 Allowing Payment In Advance

I hereby certify that the foregoing Resolution was delivered to Town of Zionsville Mayor Timothy R. Haak on the 16th day of April 2018, at 8:30 A m.

ATTEST: ______________________
Amelia Anne Lacy, Director,
Department of Finance and Records

MAYOR'S APPROVAL

______________________ 4.16.2018
Timothy R. Haak, Mayor Date

MAYOR'S VETO

______________________ ______________________
Timothy R. Haak, Mayor Date

Appendix C: Documentation of Annual Financial Report Preparation

Town of Zionsville
Department of Finance and Records

Documentation of Annual Financial Report Preparation & Review Prior to Submission in Gateway

The below items are necessary for reporting in the Town's Annual Financial Report (AFR). The Town's financial statements will be compiled by the State Board of Accounts based on the information reported in the AFR. These items have been completed by assigned personnel (as noted), input into the AFR, and reviewed/approved by management (signature below). All items have been considered. Those items not applicable to the Town for the reporting year have been marked "na".

	Reported in the AFR initials or name of employee
All fund names and numbers are correctly reported	
Each fund's financial activity agrees to the Town's General Ledger	
Receipts and receipt categories agree to the ledger	
Disbursements and disbursement categoroes agree to the ledger	
Cash balances of individual funds agree to the ledger	
Beginning cash balances of individual funds equal ending cash balances from the prior ending yea	
Funds with deficit cash balances are identified and reason for deficit known	
Other Post Employment Benefits (OPEB) have been correctly identified	
Cash transfers in/out of individual funds agree in total (transfers in = transfer out)	
Capital asset information agrees to detailed capital asset records	
Accounts receivables/payables are accurately reported	
Documentation exists to support amount reported	
All debt, including leases, has been accurately reported in the debt schedule	
Pension information has been included and is correct	
All of the following (that apply) have been correctly reported:	
Tax abatements, both direct and indirect	
Significant contingent liabilities	
Significant commitments	
Joint ventures	
Related parties	
Conduit debt	
Holding corporations	
Redevelopment authorities	
Land banks	
Any financial assistance provided to non-governmental entities has been accurately reported	
The minimum internal control standards have been adopted	
All personnel defined in IC 5-11-1-27(c) have received training on internal controls	
Documentation exists for training	

I have reviewed and approved the financial information indicated above that has been preliminarily entered into the AFR within Gateway. The AFR can now be submitted to the State as required.

Official signature: ______________________________

Date: ______________________________

Appendix D: Documentation of SEFA Preparation

Town of Zionsville
Department of Finance and Records

Documentation of compilation of the Schedule of Expenditures of Federal Awards (SEFA)

The below items are necessary for reporting in the Schedule of Expenditures of Federal Awards, including notes to the SEFA. These items have been completed by assigned personnel (as noted) and reviewed approve by management (signature below). The SEFA is compiled from data entered into the 'grants' section of the Annual Financial Report (AFR) to be submitted in Gateway.

	Schedule of Expenditures of Federal Awards and Notes (initials or name of employee)
All programs with federal expenditures during the year have been included.	
Program names and assistance listing numbers are correct for each award.	
Pass-through entity is correctly identified, if applicable.	
Award is reported as a direct award, if applicable.	
Pass-through entity is correctly identified, if applicable.	
Pass-through identifying numbers are reported correctly.	
Total federal awards expended are properly reported for each project/program.	
Amounts passed to subrecipients are properly reported for each program.	
All amounts are properly subtotaled and totaled.	
Notes are appropriate and reflective of the County's policies and procedures.	

I have reviewed and approved the following information included within the Schedule of Expenditures of Federal Awards. The SEFA can now be reported in the AFR submitted to the Indiana Gateway for Governmental Units (Gateway).

	Management Approval
Schedule of Expenitures of Federal Awards	
Notes to the Schedule of Expenditures of Federal Awards	

Official signature: ______________________

Date: ______________________

Appendix E: Documentation of Monthly Uploads

Town of Zionsville
Department of Finance and Records
Documentation of Monthly Uploads to Gateway

The State Board of Accounts requires certain data to be uploaded into Gateway each month. The below reports/documents are required for upload. When uploaded, the person perfoming the upload will initial and date when the information is ready to be submitted. Prior to upload, another person will review/approve the material and initial and date when complete. At that time, the uploads can be made in Gateway.

	Deadline for Upload	Fund Report				Bank Reconciliations				Minutes of Meetings			
		Uploaded By	Date	Reviewed By	Date	Uploaded By	Date	Reviewed By	Date	Uploaded By	Date	Reviewed By	Date
January	Mar 15												
February	Apr 15												
March	May 15												
April	Jun 15												
May	Jul 15												
June	Aug 15												
July	Sep 15												
August	Oct 15												
September	Nov 15												
October	Dec 15												
November	Jan 15												
December	Feb 15												

Appendix F: Prior Audit Report & Official Response

B59595

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ZIONSVILLE

BOONE COUNTY, INDIANA

January 1, 2021 to December 31, 2021

FILED
08/08/2022

Appendix F: Prior Audit Report & Official Response

CHIEF FINANCIAL OFFICER
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Proper internal controls were not in place over cash and investments, disbursements, and financial close and reporting. The following issues were identified:

Cash and Investments

One employee was responsible for completing the monthly bank reconcilements without evidence of an internal control, such as an oversight, review, or approval process, to ensure accuracy. This led to instances of bank reconcilements not being completed timely and reconcilements not being completed accurately.

Disbursements

Effective internal control procedures related to disbursements had not been established. The internal controls in place were not effective to detect disbursements that were missing supporting documentation, disbursements that were not approved by the Town Council, and transactions that were not disbursed from the appropriate fund.

Financial Close and Reporting

The Town had not established effective internal controls over the accuracy and timeliness of the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statement. One employee prepared and submitted the AFR in Gateway without evidence of an internal control, such as an oversight, review, or approval process, to ensure completeness and accuracy.

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. . . ."

Appendix F: Prior Audit Report & Official Response

CHIEF FINANCIAL OFFICER
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

Condition and Context

The cash balances of the following funds were overdrawn, as summarized below:

Fund	Amount Overdrawn
Payroll	$ (752,805)
OCDETF-Task Force	(966)
Creekside Allocation Fund	(47,681)

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

An overall bank reconciliation to balance all the bank accounts to the total cash and investment balance was not performed. Individual bank account reconcilements were not being completed timely throughout the audit period. The bank account used for payroll was not being reconciled, and there were unidentified posting errors causing a cash long difference of $1,034,014 in relation to the reported Payroll fund balance of ($752,805) at December 31,2021. Town funds that reconcile to the primary bank account contained posting errors in receipts totaling $513,655, causing the receipt amount reported in the financial statement to be understated. Additionally, the bank reconcilements contained other reconciling items that could not be verified.

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

We identified numerous issues in disbursements related to a lack of supporting documentation and a lack of proper approval of disbursements as noted below:

Appendix F: Prior Audit Report & Official Response

1. A disbursement for $22,062 dated December 7, 2021, was processed and paid, but had not been approved by the Town Council prior to disbursement. The disbursement did not appear on the Allowance of Accounts Payable Voucher listing for Town Council approval until December 20, 2021.

2. The Town was unable to provide supporting documentation for a disbursement dated January 29, 2021, in the amount of $4,557.

3. A disbursement dated April 15, 2021, in the amount of $182,374 for contractual services for construction for the park was not included on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Park Board.

4. A disbursement dated April 30, 2021, in the amount of $10,236 for car leases that was not included on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Town Council.

5. A disbursement dated April 12, 2021, in the amount of $100,000 appeared on the Allowance of Accounts Payable Voucher listing that was approved by the fiscal officer and Town Council at an incorrect amount of $10,000.

6. Twelve of the thirteen payroll claims tested were not approved by the fiscal officer or the Town Council. In addition, the payroll claims were not included on the Allowance of Accounts Payable Voucher listing.

7. A duplicate disbursement dated July 1, 2021, in the amount of $94,000 for Union Township of Boone County Building Corporation was recorded using JE 101580. The disbursement was not included on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Town Council.

8. Disbursements totaling $82,065 were originally approved by the Town Council to be disbursed from the Town Hall Improvement fund. However, these disbursements were later moved from the Town Hall Improvement fund to the MVH fund ($55,000) and the Cumulative Capital Development fund ($27,065) without Town Council approval. Of the $27,065 transferred to the Cumulative Capital Development fund, $3,238 in disbursements were subsequently moved back to the Town Hall Improvement fund without Town Council approval.

9. Disbursements were made from the Town Hall Improvement fund totaling $205,585 in 2021 that were for expenses related to a town hall renovation project. However, the Town Council did not approve any appropriations for this fund.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . .

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

(1) processed in accordance with this section; and

(2) for which funds are appropriated and available. . . ."

MVH FUND - USE OF FUNDS

Condition and Context

$75,000 was disbursed from the MVH fund to pay for expenses related to a town hall renovation project.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 8-14-1-5(a) states:

"Subject to subsection (c), all funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, preservation, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of the grades of crossing of public highways and railroads, the purchase or lease of highway construction, preservation, and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices, and the painting of surfaces in highways for purposes of safety and traffic regulation. All of such funds shall be budgeted as provided by law."

ELECTRONIC PAYMENTS

Condition and Context

The credit card claims for the monthly amounts due for the purchasing card statements were paid automatically through electronic funds transfer. However, the Town had not adopted an ordinance that would permit payment of credit card claims electronically.

Criteria

Indiana Code 36-1-8-11.5 states:

"(a) As used in this section, 'electronic funds transfer' means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(b) The fiscal body of a political subdivision or the board of a municipally owned utility may adopt a resolution to authorize an electronic funds transfer method of payment of claims. If a proper body adopts a resolution under this subsection, the political subdivision or municipally owned utility may pay money from its funds by electronic funds transfer.

(c) A political subdivision or municipally owned utility that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by political subdivisions or municipal utilities."

PURCHASING CARD TRANSACTIONS

Condition and Context

Purchasing cards were used to pay for the following items:

1. Eleven gift cards to various restaurants totaling $260, each gift card was in the amount of $20 or $25.

2. There were seven charges of $15,000 each, made for monthly legal fees paid to the Town's attorney.

The purchases were not in compliance with the policies and ordinances adopted by the Town Council.

The Town of Zionsville Purchasing Card Policy and Procedure Manual dated July 2020 states in part:

"The Town Purchasing Card may not be used to purchase items that are not in accordance with the Town of Zionsville's payment and procurement rules and regulations. The following list provides examples of unallowable/excluded purchases. This list is not intended to be a complete list of unallowable/excluded purchases that can be made with the Purchasing Card but is provided to assist you in determining a general idea of unacceptable transactions. If you are uncertain whether a purchase is allowable on the Purchasing Card, contact your Department and/or Purchasing Card Coordinator.

Unallowable/Excluded Purchases Descriptions:

- Cash Advances

- Gift Cards

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- Entertainment
- Personal Items . . ."

The Town approved Ordinance 2020-07, dated August 17, 2020, to authorize the use of Purchasing Cards states in part: "The purpose of a purchasing card program is to provide an efficient, cost-effective method of purchasing and paying for small-dollar as well as high-volume purchases. . . ."

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1.)

Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT

Condition and Context

The supplemental schedules included in the Annual Financial Report, as originally reported on the Indiana Gateway for Government Units financial reporting system, contained numerous errors and/or were not supported by the Town's records.

The Town was unable to provide a capital asset listing to support the values reported in the Schedule of Capital Assets.

The Town did not accurately report the ending principal balances, and principal and interest due within one year for debt in the Schedule of Leases and Debt.

The Town was unable to provide supporting documentation for the amounts reported in the Schedule of Accounts Payable and Accounts Receivable.

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."

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MONTHLY AND ANNUAL ENGAGEMENT UPLOADS TO GATEWAY

Condition and Context

Monthly bank statements, bank reconciliations, and outstanding checklists were not uploaded to the Indiana Gateway for Government Units (Gateway) financial reporting system for 14 of the 17 bank accounts for April to December 2021. Minutes of the Town Council meetings were not uploaded to Gateway for any of the months in 2021. The monthly funds ledger summarizing total receipts, disbursements, and beginning and ending balances by fund were not uploaded to Gateway for April to December 2021.

The Town is also required to upload various documents on an annual basis. The following documents were not uploaded in Gateway for 2021:

- Year-end Investment Statements (for Town Treasurer)
- Detail of receipt activity
- Detail of disbursement activity
- Current Year Salary Ordinance and Amendments
- Annual Vendor History Report
- Annual Funds Ledger (beginning balance, receipts, disbursements, and ending balance by fund)
- Annual Payroll History Report - without SS#
- Court Fund Subsidiary Detail (as of 12-31)

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. 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. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, . . .
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

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CHIEF FINANCIAL OFFICER
TOWN OF ZIONSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

The following files and governmental unit information are required to be uploaded annually . . . :

- Year-end Investment Statements (for Counties - County Treasurer)
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .
- Additionally, for County Clerk and Cities/Towns with courts: Court Trust Fund Subsidiary Detail as of December 31
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

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ZIONSVILLE
FOR ALL THE RIGHT REASONS

OFFICIAL RESPONSE

July 28, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

After presentation from the administration and unanimous approval by the Town Council, the Town implemented a new financial system during 2021. It was anticipated by all that this system would move the Town forward in transparency and openness and efficiency. Unfortunately, the system has failed to live up to its expectation, and the Town has informed the vendor of the desire to part ways – hopefully by the end of 2022. The Town is assured through this audit that while they system did bring about operational challenges, the financial statements, fund activity, fund balances and cash balances have been confirmed. SBOA has confirmed that while there's opportunity for improved processes, the financials are free from material misstatements and there were no material errors found that could not be corrected. The SBOA has provided an unmodified opinion over the financial statements. Town Officials and Town residents can be assured that the financial information is accurate and that a process is underway to secure the services of a provider that will provide accurate and timely financial information.

APPROPRIATIONS

The Town takes exception to this. The Town Hall Improvement fund is funded by conference room sponsorships and prior to 2021, rent from tenants renting out the 2nd floor of the Town Hall building for their office space. Tax dollars do not go into this fund. Due to the type of revenue that goes in the Town Hall Building fund, the Council has never approved an annual budget for this fund. This goes back through multiple administrations. However, when the money from the fund has been spent, the claims do go before Council for approval. The Ordinance that was approved to set up this fund states the money is to be used for the maintaining and/or improvement of Town Hall.

During a February 16, 2021 Town Council meeting, a presentation was made that outlined the planned improvements to town hall. The Town Hall Improvement Fund was identified as a source of funding for the project. At no point did Town Council take action to appropriate the fund. When reviewing years 2018 – 2021, the Town Hall Improvement Fund was neither appropriated during the normal budget process or with any additional appropriations. Disbursements that were made from the Town Hall Improvement fund in previous years include: (2018 - $222,124.17, 2019 - $262,985.00, 2020 - $59,314.14, 2021 - $205,584.67).

INTERNAL CONTROLS

In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's *regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.*

OVERDRAWN CASH BALANCES

Payroll Fund *– This fund is not actually in the red. A duplicate entry was entered in the financial system and is in the process of being corrected by the Town. SBOA acknowledged that this was from a duplicate entry.*

OCDETF-Task Force *– This is a reimbursable grant. The shortage was due to the timing of receiving the reimbursement.*

Creekside Allocation Fund *– This fund receives its revenue from TIF funds that are distributed with the semi-annual settlements. We make a bond payment out of this fund in December of each year. The fall settlement is generally received the last day or two of the year. When we received the settlement, there was not a disbursement for the Creekside TIF. By the time we received the settlement, the bond payment had been made and there was not a chance to look for an alternate payment source. We are currently working with Boone County to find out why there was not a disbursement.*

BANK ACCOUNT RECONCILIATIONS

In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.

ERRORS ON CLAIMS

Condition and Context

We identified numerous issues in disbursements related to a lack of supporting documentation and a lack of proper approval of disbursements as noted below:

1) A disbursement for $22,062 dated December 7, 2021 was processed and paid, but had not been approved by the Town Council prior to disbursement. The disbursement did not appear on the Allowance of Accounts Payable Voucher listing for Town Council approval until December 20, 2021.

   The Town of Zionsville takes exception to this claim by SBOA. A check was made and mailed to the vendor, however, due to our strong internal control processes, staff caught this error, placed a stop payment on the check and the vendor returned the check to us. The claim was then correctly processed for the following Town Council meeting.

   Had the Town not had the strong internal controls it has, and the payment had not been stopped, the finding would be the same.

2) The Town was unable to provide supporting documentation for a disbursement dated January 29, 2021 in the amount of $4,557.

   Staff was able to locate the supporting documentation and has submitted this to SBOA.

3) A disbursement dated April 15, 2021 in the amount of $182,374 for contractual services for construction for the park was not indicated on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Park Board.

   In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software

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provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.

4) A disbursement dated April 30, 2021 in the amount of $10,236 for car leases that was not indicated on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Town Council.

In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.

5) A disbursement dated April 12, 2021 in the amount of $100,000 appeared on the Allowance of Accounts Payable Voucher listing that was approved by the fiscal officer and Town Council at an incorrect amount of $10,000.

The was due to human error. The vendor was not overpaid, the error in the amount of the expense only showed on the claims report given to Council. This was due to the system not pulling the claims correctly for the claims register. The register had to be created manually.

6) Twelve of the 13 payroll claims tested were not approved by the fiscal officer or the Town Council. In addition, the payroll claims were not reflected on the Allowance of Accounts Payable Voucher listing.

The Town takes exception to this. It was not Town practice to put payroll on the claims listing for Council. Further, this had not been an audit finding until our 2020 audit. During the 2020 audit, SBOA brought this to our attention and staff has added payroll to all claims presented to Council since.

7) A duplicate disbursement dated July 1, 2021 in the amount of $94,000 for Union Township of Boone County Building Corporation was recorded using JE 101580. The disbursement was not indicated on an Allowance of Accounts Payable Voucher listing and was not approved by the fiscal officer or the Town Council.

The Town takes exception to this. When the Town makes this bond payment, a transfer of funds is made from the general bank account to the Union Township of Boone County Building Corp bank account. The payment then gets made from the Union Township account. When the above stated payment was made, it inadvertently pulled from the general bank account, not the Union Township account. The correction to this error would be to transfer the funds back to the general account from the Union Township account. A duplicate payment was NOT made. The Town still had control of the funds.

8) Disbursements totaling $82,065 were originally approved by the Town Council to be disbursed from the Town Hall Improvement fund. However, these disbursements were later moved from the Town Hall Improvement fund to the MVH fund ($55,000) and the Cumulative Capital Development fund ($27,065) without Town Council approval. From the $27,065 transferred, there was $3,238 of disbursements from the Cumulative Capital Development that were subsequently moved back to the Town Hall Improvement fund without Town Council approval.

The administration presented the claims in question to the council, and they were unanimously approved by the Council to be paid. We have stated our desire to seek a new software provider who is more experienced in meeting Indiana's statutory and regulatory requirements, with the proper controls to automatically place items back on the claims docket for Council approval when changes like this in the fund from where the planned disbursement is being made. This situation will be corrected with the software implementation.

9) Disbursements were made from the Town Hall Improvement fund totaling $205,585 in 2021 that were for expenses related to a town hall renovation project. However, the Town Council did not approve any appropriations for this fund.

The Town takes exception to this. The Town Hall Improvement fund is funded by conference room sponsorships and prior to 2021, rent from tenants renting out the 2nd floor of the Town Hall building for their office space. Tax dollars do not go into this fund. Due to the type of revenue that goes in the Town Hall Building fund, the Council has never approved an annual budget for this fund. This goes back through multiple administrations. However, when the money from the fund has been spent, the claims do go before Council for approval. The Ordinance that was approved to set up this fund states the money is to be used for the maintaining and/or improvement of Town Hall.

During a February 16, 2021 Town Council meeting, a presentation was made that outlined the planned improvements to town hall. The Town Hall Improvement Fund was identified as a source of funding for the project. At no point did Town Council take action to appropriate the fund. When reviewing years 2018 – 2021, the Town Hall Improvement Fund was neither appropriated during the normal budget process or with any additional appropriations. Disbursements that were made from the Town Hall Improvement fund in previous years include: (2018 - $222,124.17, 2019 - $262,985.00, 2020 - $59,314.14, 2021 - $205,584.67).

MVH USE OF FUNDS

The Town of Zionsville has an annual Department of Public Works (DPW) budget of approximately $4.5 million dollars. Distributions from the state from the Motor Vehicle Highway "account" are placed into the Town's Motor Vehicle Highway (MVH) Restricted Account, this amounts to approximately $800,000 annually. All of these dollars are and have been spent entirely within the statutory guidelines of IC 8-14-1-5 which relate to how dollars from the state MVH account must be spent. The Town also receives property tax dollars of approximately $2 million from the MVH property tax levy for Zionsville Town residents andthese dollars are placed into the MVH non-restricted fund. In order to meet the $4.5 operating budget for DPW, for many years the Town has supplemented revenue in the MVH non-restricted fund with Local Income Tax (LIT) dollars. During this Audit, the Town was made aware of a February 2022 memorandum from the State Board of Accounts (SBOA) recommendation to deposit LIT certified shares into the General Fund. This will provide the flexibility to pay claims that are related to the operations of DPW but also benefit the general government of the Town with these LIT dollars as we have with this payment which came from the LIT revenues within this fund. Since this memo was not released by the SBOA until February of this year, the Town will take this into consideration when adopting our 2023 budget.

ELECTRONIC PAYMENTS

A resolution has been prepared and will be presented to Town Council for their consideration.

PURCHASING CARD TRANSACTIONS

The Town recognizes the Town of Zionsville Purchasing Card Policy and Procedural Manual dated July 2020 was not followed twice. The Town acknowledges these mistakes and will continue to abide by the policy. The policy is attached to our response.

SUPPLEMENTAL SCHEDULES IN ANNUAL FINANCIAL REPORT

In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.

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MONTHLY AND ANNUAL ENGAGEMENT UPLOADS TO GATEWAY

In March 2021 after review and approval of the Town Council, the Town of Zionsville implemented a new financial software package. Subsequent to this implementation, the Town became aware that the software firm had not developed the necessary Indiana regulatory and statutory reports. The Town has notified our current software provider of our intent to work toward ending our contract and converting to a new software provider with more experience in meeting Indiana's regulatory and statutory requirements. It has been and continues to be the desire of Zionsville leadership to provide an open transparent government, and we will continue to work toward that end with this software conversion.

Kellie Adams

Kellie Adams
Chief Financial Officer
Town of Zionsville

Additional documentation was provided that is not included in the response. This document will be made available to view upon request to the Indiana State Board of Accounts.

Appendix F: Prior Audit Report & Official Response

CHIEF FINANCIAL OFFICER
TOWN OF ZIONSVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2022, with Kellie Adams, Chief Financial Officer; Emily Styron, Mayor; Julie Johns-Cole, Deputy Mayor; Jason Plunkett, President of the Town Council; Brad Burk, Vice President of the Town Council; Alexander Choi, Town Council member; Josh Garrett, Town Council member; Craig Melton, Town Council member; Bryan Traylor, Town Council member; Heather Harris, Town Council Attorney; and Amy Nooning, Town Attorney.

Documented Discussion on Internal Controls

Following is a list of discussion topics and responses concerning a review of the Town of Zionsville's internal control structure. The questions and answers were discussed at several meetings over the year. Final answers have been reviewed by management in a meeting with an internal control consulting firm and have been documented as part of the Internal Control Manual.

Approval of final questions and answers: ____________________________
(Date)

Attendees:

______________________________	______________________________
(Signature)	(Title)
______________________________	______________________________
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