

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KENNARD

HENRY COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
10/18/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jan Lockridge	01-01-19 to 12-31-19
	Susan Shelton	01-01-20 to 11-02-22
	Jan Lockridge	11-03-22 to 12-31-23
President of the Town Council	Jason Groce	01-01-19 to 12-31-20
	Steve Worsham	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF KENNARD, HENRY COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Kennard (Town), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

Beth Kelley, CPA, CFE
Deputy State Examiner

September 28, 2023

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CLERK-TREASURER
TOWN OF KENNARD

CLERK-TREASURER
TOWN OF KENNARD
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B53756.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investment balances, receipts, and financial close and reporting.

Cash and Investments Balances

The Town had not properly designed or implemented internal controls over completion of the bank reconciliations. Monthly bank reconciliations were completed by one employee without evidence of oversight or review.

Receipts

The Town had not properly designed or implemented internal controls over receipts. The Town receipts were completed with no tangible evidence of review by a second party.

Financial Close and Reporting

The Town had not properly designed or implemented internal controls over submission of the Annual Financial Reports (AFRs) in the Indiana Gateway for Government Units financial reporting system. The AFRs were completed by one employee without evidence of oversight or review.

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. . . ."

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

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

Condition and Context

State Examiner Directive 2018-1 required monthly and annual uploads beginning with July 2018 files.

Most of the monthly uploads for years 2019 through 2022 were not uploaded timely. The late monthly files included bank reconcilements, funds ledgers, and Town Council minutes. Many of these files were uploaded in June and July 2023.

The annual uploads for years 2019 through 2022 were not uploaded timely. These files were uploaded in June and July 2023.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, . . . will use the Upload App to upload files containing financial and governmental unit information on Gateway . . . a unit is encouraged to upload prior months' files beginning with the January 2018 files. Thereafter, monthly files must be uploaded no later than the 15th day of the second succeeding month, i.e., August monthly files are due on October 15. . . .

Annual files are to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year unless the SBOA establishes a different date. . . .

(State Examiner Directive 2018-1)

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 unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

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

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

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

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

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments . . .
- 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 . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Town did not perform monthly bank reconciliations from January 2021 through June 2021.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RECEIPT ISSUANCE

Condition and Context

Utility and trash collections between January 2021 and June 2021 were not receipted and posted to the Town ledger until July 2021. These monies were deposited timely the entire year.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

Capital asset records were not maintained; therefore, accurate totals for December 31, 2022 (or any point during the audit period) could not be confirmed.

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

Criteria

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

During the submission of the 2022 Annual Financial Report, the Town certified that appropriate personnel had received internal control training; however, evidence of employee training was not provided.

Criteria

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER
TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2023, with Jan Lockridge, Clerk-Treasurer, and Steve Worsham, President of the Town Council.

TOWN COUNCIL
TOWN OF KENNARD

TOWN COUNCIL
TOWN OF KENNARD
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

No documentation of internal control training for Town employees during the audit period was provided.

Criteria

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

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

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

TOWN COUNCIL
TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2023, with Steve Worsham, President of the Town Council, and Jan Lockridge, Clerk-Treasurer.