

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KEWANNA

FULTON COUNTY, INDIANA

January 1, 2020 to December 31, 2022



FILED

01/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	JoAnn Collins	01-01-20 to 12-31-23
President of the Town Council	Jeffrey A. Finke	01-01-20 to 12-31-22
	Doran Collins	01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF KEWANNA, FULTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Kewanna (Town), for the period from January 1, 2020 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 20, 2023

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CLERK-TREASURER
TOWN OF KEWANNA

CLERK-TREASURER
TOWN OF KEWANNA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B55031, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not established an effective system of internal controls related to receipts and financial close and reporting.

Receipts

The Town did not have internal controls in place to ensure accurate recording and reporting of receipts. The Clerk-Treasurer recorded the receipts into the financial accounting system, without an oversight, review, or approval process in place to ensure the receipts were recorded for the correct amount or to the proper fund.

Financial Close and Reporting

The Clerk-Treasurer entered financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements. There was no documented evidence of an oversight, review, or approval process by someone other than the Clerk-Treasurer prior to or after submitting the financial information into Gateway.

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 KEWANNA
AUDIT RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS - SEWAGE UTILITY (WASTEWATER) BILLINGS

The same comment also appeared in prior Report B55031.

Condition and Context

The Town did not follow its wastewater rate ordinance for customer billings during the summer months. Summer sprinkling rates for June, July, and August were to be calculated at a three-month average from the prior December, January, and February. There were unidentified differences between the amount billed and the amount that should have been billed in accordance with the rate ordinance.

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)

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund in accordance with the options outlined in State Examiner Directive 2020-3.

The Town receipted the Indiana Finance Authority (IFA) reimbursement of \$19,109 for health and safety payroll costs into their CARES Act fund. The Town then spent directly from the CARES Act fund without appropriation for expenditures that did not correspond with the reimbursement request. The expenditures upon which the reimbursement was based should have been recorded in the CARES Act fund or the reimbursed amount transferred through the claims process to the General Fund which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

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

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.***

(State Examiner Directive 2020-3)

CLERK-TREASURER
TOWN OF KEWANNA
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2023, with JoAnn Collins, Clerk-Treasurer; Doran Collins, President of the Town Council; Phil Fritz, Town Council member; and Jeffrey A. Finke, Town Council member.