

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

**Paul D. Joyce, CPA
State Examiner**

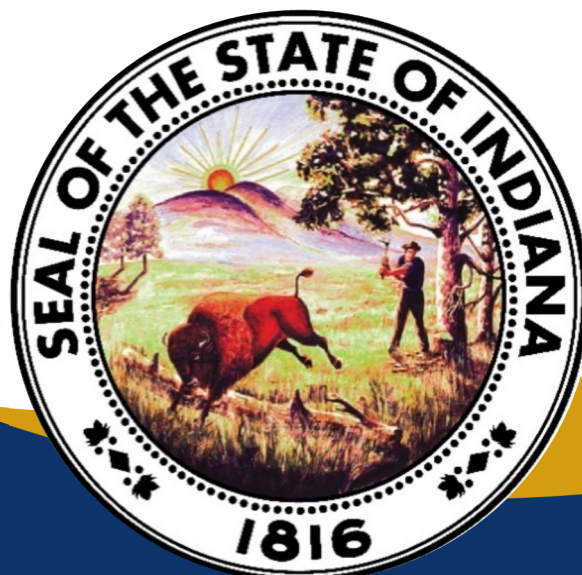
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF FRANKFORT

CLINTON COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED

02/17/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carol Bartley	01-01-22 to 12-31-25
Mayor	Judith Sheets	01-01-22 to 12-31-25
President of the Board of Public Works	Judith Sheets	01-01-22 to 12-31-25
President Pro Tempore of the Common Council	Eric Woods	01-01-22 to 12-31-25
President of the Utility Service Board	Kent Brewer	01-01-22 to 12-31-25
Utility Office Manager	Stacy Uitts Karen Milam	01-01-22 to 06-30-23 07-01-23 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE CITY OF FRANKFORT, CLINTON COUNTY, INDIANA

This report is supplemental to the audit report of the City of Frankfort (City), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

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

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

Beth Kelley, CPA, CFE
Deputy State Examiner

December 30, 2024



CLERK-TREASURER
CITY OF FRANKFORT

CLERK-TREASURER
CITY OF FRANKFORT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR, which resulted in the following errors:

Capital Assets

Amounts reported on the Schedule of Capital Assets in 2022 were not supported by the detailed listing. The City and its Utilities reported \$82,760,536 while the provided supporting documentation totaled \$91,855,475, resulting in an understatement of \$9,094,939.

Capital asset information for the Redevelopment Authority was omitted from the AFR. A listing of capital assets was not maintained by the Redevelopment Authority. Some of the assets that should have been included are Prairie Creek Park and the swimming pool. The value of the omitted assets is unknown but presumed to be material.

Debt

Debt of the Redevelopment Authority was omitted from the information provided in the AFR. The omission of the three bond issues understated the ending principal balance by \$17,140,000 and the principal due within one year by \$600,000.

Payables and Receivables

No amounts were reported in Gateway for accounts payable or receivables for the City and its Utilities.

The underlying information for the Schedule of Payables and Receivables is required to be submitted as a part of the AFR; however, the schedule is considered other information and is not required to be presented under the regulatory basis of accounting. The City has opted not to include the schedule in the Financial Statement Audit Report of the City.

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 as set forth in the uniform compliance guidelines. 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
CITY OF FRANKFORT
AUDIT RESULTS AND COMMENTS
(Continued)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

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

Annual upload requirements include the year-end investments statements and register of investments, detail of receipts by fund and account, detail of disbursements by fund and account, current year salary ordinance, and an annual vendor history report.

The City did not comply with the State Examiner Directive. None of the annual files were uploaded on the Indiana Gateway for Government Units financial reporting system for 2022 and 2023.

Criteria

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

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

CLERK-TREASURER
CITY OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on December 30, 2024, with Carol Bartley, Clerk-Treasurer; John Large, Common Council member; and Robert Stevens, Common Council member.

UTILITY SERVICE BOARD
CITY OF FRANKFORT

UTILITY SERVICE BOARD
CITY OF FRANKFORT
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS

Condition and Context

Internal controls were not properly implemented to ensure monthly transfers were made with prior approval by the Utility Service Board. The City did not create an ordinance or resolution to support monthly transfers between Utility funds.

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. . . ."

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)

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)

UTILITY SERVICE BOARD
CITY OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on December 30, 2024, with Judith Sheets, Mayor and President of the Board of Public Works, and on January 22, 2025, with Kent Brewer, President of the Utility Service Board.