

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

COMPLIANCE EXAMINATION REPORT

OF

TOWN OF KENTLAND

NEWTON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

03/19/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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March 19, 2024

To: The Officials of the Town of Kentland
Town of Kentland
Newton County, Indiana

This report is supplemental to the audit report of the Town of Kentland (Town), for the period January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the Town. It should be read in conjunction with the financial statement audit report of the Town, which provides an opinion 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 engaged private examiners under our review to perform the audit of the Town and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the Town of Kentland prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on page 3.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
TOWN OF KENTLAND
Newton County, Indiana
January 1, 2022 to December 31, 2022

TOWN OF KENTLAND

Newton County, Indiana
January 1, 2022 to December 31, 2022

CONTENTS

SCHEDULE OF OFFICIALS 1

INDEPENDENT ACCOUNTANT'S REPORT 2

SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:

 2022-001: INTERNAL CONTROLS..... 3

 2022-002: CAPITAL ASSETS 3

EXIT CONFERENCE 4

TOWN OF KENTLAND
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judy King	01-01-22 to 12-31-22
President of the Town Council	Debby Shufflebarger	01-01-22 to 12-31-22



INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Town of Kentland

We have examined the Town of Kentland's ("Town") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2022 to December 31, 2022. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns* applicable to the Town during the period January 1, 2022 to December 31, 2022, as described in items 2022-001 and 2022-002 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the aforementioned requirements during the period January 1, 2022 to December 31, 2022.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
March 14, 2024

TOWN OF KENTLAND
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2022 to December 31, 2022

FINDING 2022-001: INTERNAL CONTROLS

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. . . ."*

The same comment also appeared in prior Report B59608.

Condition: During testing, we noted that the Town did not meet the minimum standards of internal control. 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 receipts, disbursements, and financial reporting. Due to the small size of the office, the Clerk-Treasurer was responsible for all aspects of receipts, disbursements, and reporting. There was not a documented oversight or review process to prevent, or detect and correct, errors.

FINDING 2022-002: CAPITAL ASSETS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *"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."*

The same comment also appeared in prior Report B59608.

Condition: During testing of capital assets, we noted the Town did not have a written policy concerning capital assets and the threshold at which an item is considered a capital asset. The Town did not have an organized or complete detailed listing of capital assets. We noted that a physical inventory was not taken at least once every two years.

TOWN OF KENTLAND
EXIT CONFERENCE
January 1, 2022 to December 31, 2022

The contents of this report were discussed on March 14, 2024 with Judy King, Clerk-Treasurer, and Debby Shufflebarger, President of the Town Council.