

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, 2013 to December 31, 2013



FILED
09/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Stanley Sharon Elliott Christina Beavers	08-01-12 to 11-30-15 12-01-15 to 09-30-16 10-01-16 to 12-31-17
President of the Town Council	John Ryan Shannon Dickerson Jason Groce	01-01-12 to 07-03-14 07-04-14 to 12-31-14 01-01-15 to 12-31-17



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 our audit report of the Town of Kennard (Town), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 1, 2017

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CLERK-TREASURER
TOWN OF KENNARD

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS

FINDING 2013-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Modified Opinion

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town relied on one employee to prepare the SEFA.

Due to the lack of controls, the SEFA presented for audit had the following errors:

1. Information, such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number, was either incorrectly reported or omitted.
2. The Water and Waste Disposal Systems for Rural Communities and the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii grants were not maintained on ledgers and were missing several records, including grant agreements, reports, and several invoices. We could not substantiate all transactions and amounts with these grants.

For the errors that were identified, audit adjustments were proposed, accepted by the Town, and made to the SEFA.

Context

The lack of controls and condition of records were systemic problems during the period audited.

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 even. Examples of these activities include reconciliations. . . .

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310."

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management of the Town had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Because a proper system of internal control was not in place, and inadequate records were kept, the transactions could not be substantiated and the opinion on the SEFA had to be disclaimed. The errors on the SEFA that could be identified are listed in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

FINDING 2013-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Findings: Material Weakness, Modified Opinion

Condition

The Town had deficiencies in the internal control system related to financial transactions and reporting in the following errors:

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash, receipts, and disbursements for both the Town and Wastewater records.
2. Preparing Financial Statements: The Town failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The financial statement of the Town was compiled from the information reported on the Annual Financial Report submitted by the Town; however, the Town did not have procedures in place to ensure the accuracy of the information reported on the Annual Financial Report.
3. Wastewater Records: No effective controls were in place to ensure that records were retained. As a result, the Wastewater Funds Ledger was not presented for audit. Alternative procedures had to be performed to substantiate the Wastewater Funds (excluding the Wastewater Construction funds) presented on the Town's financial statement.
4. Wastewater Construction Funds: No effective controls were in place to ensure the proper recordkeeping of the funds. The Wastewater Construction bank accounts contained the federal grant funds from the Water and Waste Disposal Systems for Rural Communities and the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii grants; however, these grant funds were not maintained on a ledger, and invoices were not retained for \$413,721 of disbursements used to pay for the improvement of the wastewater treatment plant. Due to these conditions, we were unable to substantiate a material amount of disbursements within the Wastewater Construction funds presented on the financial statement.

For the errors identified, audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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 even. Examples of these activities include reconciliations. . . .

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

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. . . ."

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity or instrumentality 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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

Cause

Management of the Town had not established a proper system of internal control.

Effect

Because a proper system of internal control was not in place, and the condition of the Town's records, the opinion on the financial statements had been modified. The condition of records is explained further in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

FINDING 2013-003

Subject: Water and Waste Disposal Systems for Rural Communities - Cash Management and Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Number and Year (or Other Identifying Number): None
Compliance Requirements: Cash Management, Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Procurement and Suspension and Debarment.

Context

The lack of controls was a systemic problem throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls for the Cash Management and Procurement and Suspension and Debarment compliance requirements.

Effect

The failure to establish an effective internal control system placed the Town at risk of non-compliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to the grant agreement and Cash Management and Procurement and Suspension and Debarment compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

FINDING 2013-004

Subject: Water and Waste Disposal Systems for Rural Communities -
Equipment and Real Property Management
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Number and Year (or Other Identifying Number): None
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town was not in compliance with the requirements for Equipment and Real Property Management. There were no inventory records or records of any dispositions, nor was there evidence of an oversight, review, or approval process to ensure that an inventory and listing of dispositions were maintained.

Context

The Town did not provide an inventory or list of dispositions. Further documentation was requested from the Town, but none was provided. The lack of controls was a systemic problem for the period audited.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

Management of the Town had not established an effective internal control system that would have ensured compliance with the Equipment and Real Property Management requirements.

Effect

The failure to establish an effective internal control system resulted in the Town being in non-compliance with the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management establish effective internal controls to ensure compliance related to the grant agreement and Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2013-005

Subject: Water and Waste Disposal Systems for Rural Communities -
Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Matching, Level of Effort, Earmarking, Period of Availability, and Reporting

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Number and Year (or Other Identifying Number): None

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Matching, Level of Effort, Earmarking, Period of Availability, Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, Period of Availability, and Reporting.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

The Town was unable to locate several accounting records needed to complete the audit, including invoices, reports, and the original grant agreement; therefore, compliance related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, Period of Availability, and Reporting compliance requirements could not be tested.

Context

The lack of controls was a systemic problem throughout the audit period. Due to the lack of records, compliance could not be tested for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, Period of Availability, and Reporting compliance, which were determined to be direct and material to the program.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Cause

Management had not developed a system of internal controls that would have ensured that accounting records were available for audit.

Effect

The failure to establish an effective internal control system and maintain records related to the program caused the opinion over the compliance of the program to be disclaimed.

Questioned Costs

The total of known questioned costs was \$394,721.

Recommendation

We recommended that the Town's management establish controls and maintain records related to the program as required by federal guidelines.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

FINDING 2013-006

Subject: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): A192-13-CF-12-115
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Compliance Requirements: Cash Management, Procurement and Suspension and Debarment, Special Tests and Provisions - Environmental Reviews
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews. The Clerk-Treasurer was the sole person responsible for ensuring compliance with the Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews requirements for the grant.

Context

The lack of controls was a systemic problem throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls related to the Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews compliance requirements.

Effect

The failure to establish an effective internal control system placed the Town at risk of non-compliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews compliance requirements.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls related to the grant agreement and Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Environmental Reviews compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2013-007

Subject: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Period of Availability

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): A192-13-CF-12-115

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, Period of Availability

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Period of Availability.

The Town was unable to locate several accounting records needed to complete the audit, including invoices, reports, and the original grant agreement; therefore, compliance related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Period of Availability compliance requirements could not be tested.

Context

The lack of controls was a systemic problem throughout the audit period. Due to the lack of records, compliance could not be tested for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Level of Effort, Earmarking, and Period of Availability compliance requirements that were determined to be direct and material to the program.

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

24 CFR 85.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Cause

Management had not developed a system of internal controls that would have ensured that accounting records were available for audit.

Effect

The failure to establish an effective internal control system and maintain records related to the program caused the opinion over the compliance of the program to be disclaimed.

Questioned Costs

The total of known questioned costs was \$19,000.

Recommendation

We recommended that the Town's management establish controls and maintain records related to the program as required by federal guidelines.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2013-008

Subject: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Equipment and Real Property Management

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): A192-13-CF-12-115

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town was not in compliance with the requirements for Equipment and Real Property Management. There were no inventory records or records of any dispositions, nor was there evidence of an oversight, review, or approval process to ensure that an inventory and listing of dispositions were maintained.

Context

The Town did not provide an inventory or list of dispositions. Further documentation was requested from the Town, but none was provided. The lack of controls was a systemic problem for the period audited.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

24 CFR 85.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

CLERK-TREASURER
TOWN OF KENNARD
FEDERAL FINDINGS
(Continued)

Cause

Management of the Town had not established an effective internal control system that would have ensured compliance with the Equipment and Real Property Management requirements.

Effect

The failure to establish an effective internal control system resulted in the Town being in non-compliance with the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs.

Recommendation

We recommended that management establish effective internal controls to ensure compliance related to the grant agreement and Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

**Board President: Jason Groce
Board Member: Carolyn Roberts
Board Member: Holly Lee
Clerk/Treasurer: Christina Beavers**

**Phone: 765-785-2331
Fax: 765-785-2062
townofkennard@gmail.com**

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

Views of Responsible Official:

**Prior Clerk/Treasurer had issues on maintaining records.
We concur with the finding.**

Description of Corrective Action Plan:

In the future we will be maintaining our records and ledgers of everything.

**Anticipated Completion Date:
September 30, 2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

**Board President: Jason Groce
Board Member: Carolyn Roberts
Board Member: Holly Lee
Clerk/Treasurer: Christina Beavers**

**Phone: 765-785-2331
Fax: 765-785-2062
townofkennard@gmail.com**

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

**Views of Responsible Official:
Prior Clerk/Treasurer had issues on maintaining records.
We concur with the finding.**

**Description of Corrective Action Plan:
We will be maintaining our records and ledgers in the future.
We are a small Town Unit and are currently working on a Unit Control System.**

**Anticipated Completion Date:
September 30,2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

**Board President: Jason Groce
Board Member: Carolyn Roberts
Board Member: Holly Lee
Clerk/Treasurer: Christina Beavers**

**Phone: 765-785-2331
Fax: 765-785-2062
townofkennard@gmail.com**

CORRECTIVE ACTION PLAN

FINDING 2013-003

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

Views of Responsible Official:

**The prior Clerk/Treasurer had issues on maintaining records.
We concur with the finding.**

Description of Corrective Action Plan:

We are currently working on a unit control system and we will be maintaining our records and Ledgers.

**Anticipated Completion Date:
September 30,2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

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CORRECTIVE ACTION PLAN

FINDING 2013-004

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

Views of Responsible Official:

**The prior Clerk/Treasurer had issues on maintaining records.
We concur with the finding.**

Description of Corrective Action Plan:

We are a small unit and are currently working on a unit control system and will be maintaining our records and ledgers.

**Anticipated Completion Date:
December 31,2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

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CORRECTIVE ACTION PLAN

FINDING 2013-005

Contact Person Responsible for Corrective Action:

Christina Beavers

Contact Phone Number:
765-785-2331

Views of Responsible Official: The prior Clerk/Treasurer had issues on maintain records and ledgers.
We concur with the finding.

Description of Corrective Action Plan:

We will be maintaining our records and ledgers, and are currently working on a control unit system.

Anticipated Completion Date:
September 30,2017

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

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townofkennard@gmail.com**

CORRECTIVE ACTION PLAN

FINDING 2013-006

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

**Views of Responsible Official:
The prior Clerk/Treasurer had issues on maintaining records.
We concur with the finding.**

**Description of Corrective Action Plan:
We are currently working on a control unit system and will be maintaining our records and ledgers.**

**Anticipated Completion Date:
September 30,2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

**Board President: Jason Groce
Board Member: Carolyn Roberts
Board Member: Holly Lee
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townofkennard@gmail.com**

CORRECTIVE ACTION PLAN

FINDING 2013-007

Contact Person Responsible for Corrective Action:

Christina Beavers

**Contact Phone Number:
765-785-2331**

Views of Responsible Official:

**The prior Clerk/Treasurer had issues on maintaining records and ledgers.
We concur with the finding.**

Description of Corrective Action Plan:

**We as a small Town Unit are currently working on a unit control system and will be maintaining our
records and ledgers.**

**Anticipated Completion Date:
September 30,2017**

**TOWN OF KENNARD
TOWN HALL
PO Box 167
Kennard, IN 47351**

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Board Member: Holly Lee
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CORRECTIVE ACTION PLAN

FINDING 2013-008

Contact Person Responsible for Corrective Action:

Christina Beavers

Contact Phone Number:
765-785-2331

Views of Responsible Official:
The prior Clerk/Treasurer had issues on maintaining records and ledgers.

Description of Corrective Action Plan:
We as a small town unit are currently working on a unit control system and will be maintaining our records and ledgers.

We concur with the finding.

Anticipated Completion Date:
December 31, 2017

CLERK-TREASURER
TOWN OF KENNARD
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The financial statement included the following fund with an overdrawn cash balance at December 31, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Trash	\$ 589

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

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for all 12 months of the audit period for the Wastewater Construction fund and Wastewater Retainage fund.

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

Receipts were not always issued at the time the transactions occurred and the prescribed forms were not used in the manner prescribed. Wastewater receipts were sometimes posted twice or not at all. Receipts did not include the classification between cash or check and deposits were not always made on a timely basis.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g) . . . a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the . . . town as provided in an ordinance adopted by the . . . town; and
- (2) approved as depositories of state funds."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A . . . town required to deposit funds under subsection (d)."

UTILITY ACCOUNTS RECEIVABLE

We identified 59 instances in which receivable balances on customer accounts for the Wastewater Utility had not been properly carried forward from December 31, 2013 to January 1, 2014. Explanations for the differences, which ranged in amounts from (\$1,397) to \$778, were not provided. There were also instances where customers were not charged a penalty when they were delinquent in their payments. The accounts receivable balances for each customer were not properly calculated on the Wastewater Utility's Consumer Ledger.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2017, with Jason Groce, President of the Town Council, and Christina Beavers, Clerk-Treasurer.