

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CLARKSVILLE

CLARK COUNTY, INDIANA

January 1, 2014 to December 31, 2016



**FILED**  
12/19/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-12 to 12-31-19
President of the Town Council	Bob Polston Paul Fetter	01-01-14 to 12-31-15 01-01-16 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CLARKSVILLE, CLARK COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Clarksville (Town), for the period from January 1, 2014 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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 Examination Result and Comment 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 Examination Result and Comment, incorporated within this report, was not verified for accuracy.

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

December 14, 2017

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CLERK-TREASURER  
TOWN OF CLARKSVILLE

CLERK-TREASURER  
TOWN OF CLARKSVILLE  
EXAMINATION RESULT AND COMMENT

**TRANSACTION RECORDING**

The Town did not have sufficient internal controls in place to ensure all financial transactions of the Town had been properly recorded in the Town's records. Failure to record all transactions can result in materially inaccurate financial statements and could allow fraud to occur and go undetected. The following items were identified:

1. On June 24, 2015, The Town issued Tax Increment Financing (TIF) Revenue bonds. Transactions related to this bond issue were not recorded in the Town's records during 2015 and 2016. As a result, receipts were understated by \$10,711,525 and \$727, and disbursements were understated by \$2,112,109 and \$4,004,099 in 2015 and 2016, respectively.
2. On July 26, 2016, the Town refunded 2007 Parks Revenue Bonds with the 2016 Parks Revenue Bonds. Per the Trust statements at the time of refunding, the 2007 Parks Rev Bond Fund transferred a portion of the fund balance to the 2016 Parks Revenue Bond - Reserve fund. There was also a trust account for bond and interest established. None of these transactions were posted to the Town's financial records. This resulted in the 2007 Parks Rev Bond fund receipts and disbursements being understated by \$27 and \$462,817, respectively. It also resulted in the 2016 Parks Revenue Bond - Reserve receipts being understated by \$397,224 and the 2016 Parks Revenue Bond - B & I receipts being understated by \$27,249.

Adjustments for the transactions noted above were proposed, accepted by the Clerk-Treasurer, and made to the financial statements presented for examination.

3. On November 25, 2015 The Town transferred \$200,000 from the Town's operating bank account to the Town's Park operating bank account for cash flow purposes. On January 29, 2016, \$200,000 from the Park's bank account was transferred back to the Town's operating account. Neither of these transactions were posted to the Town's records.
4. On April 14, 2016, the Town transferred \$250,000 from the Town's operating bank account to the Town's Park operating bank account for cash flow purposes. On December 20, 2016, \$250,000 from the Park's bank account was transferred back to the Town's operating account. Neither of these transactions were posted to the Town's records.
5. The Town Court maintained their own separate accounting records. The Town Court remitted a monthly report to the Clerk-Treasurer's office which provided the total monthly receipts, disbursements, and ending cash balance for the Town Court Operating fund. This report was used to post the monthly transaction totals of the Town Court Operating fund to the Town's ledger. For December 2014, August 2015, and January 2015, the Town failed to post these monthly transaction totals. Transaction totals for the month of December 2015 and the period January 2016 to November 2016 were not posted to the Town's ledger until December 29, 2016. As of December 8, 2017, the Town had not posted any of the monthly transaction totals reported by the Court for 2017.

CLERK-TREASURER  
TOWN OF CLARKSVILLE  
EXAMINATION RESULT AND COMMENT  
(Continued)

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. . . ."

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)

CLERK-TREASURER  
TOWN OF CLARKSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2017, with Robert P. Leuthart, Clerk-Treasurer; Sherry Lockard, Deputy Clerk-Treasurer; Paul Fetter, President of the Town Council; John Gilkey, Town Council member; Kevin Baity, Town Manager; Christopher Sturgeon, Town Attorney; and Anita Neeld, HR Director.