

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, 2017 to December 31, 2017



FILED
02/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert Leuthart	01-01-16 to 12-31-19
President of the Town Council	Paul Fetter	01-01-17 to 12-31-18



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 audit report of the Town of Clarksville (Town), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

December 19, 2018

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CLERK-TREASURER
TOWN OF CLARKSVILLE

CLERK-TREASURER
TOWN OF CLARKSVILLE
FEDERAL FINDINGS

FINDING 2017-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

Deficiencies in the internal control system of the Town related to financial transactions and reporting were identified. There was a lack of segregation of duties related to receipts. One employee was responsible for issuing receipts and recording receipts. There was no oversight or review over the receipts issued to ensure all receipt activity was recorded to the ledger.

Context

The lack of internal controls over receipts was a systemic issue throughout the audit period.

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. . . ."

Cause

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

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and reporting.

CLERK-TREASURER
TOWN OF CLARKSVILLE
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2017-002

Subject: Disaster Grants - Public Assistance (Presidentially Declared Disasters) - Reporting
Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
CFDA Number: 97.036
Federal Award Number and Year (or Other Identifying Number): 2011-FEMA
Pass-Through Entity: Indiana Department of Homeland Security
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

Internal Controls were not in place to ensure the required quarterly progress reports were properly prepared and filed. One employee was responsible for preparing and filing the required quarterly reports without any oversight or review. Not all required quarterly progress reports were filed during the audit period.

Context

Quarterly progress reports were not filed for five out of eight quarters during 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. . . ."

44 CFR 13.20(b)(1) states:

"Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the Town.

CLERK-TREASURER
TOWN OF CLARKSVILLE
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 the Reporting compliance requirement.

Views of Responsible Officials

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

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TOWN OF CLARKSVILLE

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Sherry Lockard
Contact Phone Number: 812-283-1500

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Town will require and obtain 2 signatures on each process of the banking and receipting duties. We will initial and date each report of collections submitted to the Clerk Treasurer's Office with two signatures to verify that money deposited is what is on report of collections. Upon receipting in transactions, we will print out a receipt transaction report and obtain a separate signature verifying what was submitted was correctly received.

Anticipated Completion Date: The Clerk Treasurer's Office started this procedure December 1, 2018.

FINDING 2017-002

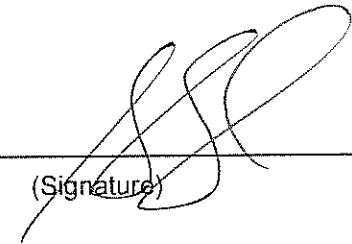
Contact Person Responsible for Corrective Action: Sherry Lockard
Contact Phone Number: 812-283-1500

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan

Upon obtaining any Grant, the Department Head in charge of the Grant will submit to the Clerk Treasurer a copy of the Grant, a checklist and the due dates of all compliance items. The Department Head will submit copies of all compliance items as they are due with an attached signature page stating that the compliance item is complete, along with the signature of the Town Manager verifying the Department Head has completed the required compliance item. The Clerk Treasurer will keep a copy of the Grant document and all signed compliance items in its own binder.

Anticipated Completion Date: The Town will implement CAP by 12/31/18 for all open grants.



(Signature)

Deputy Clerk Treasurer

(Title)

12. 7. 18

(Date)

CLERK-TREASURER
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2018, with Robert Leuthart, Clerk-Treasurer; Sherry Lockard, Deputy Clerk-Treasurer; John Gilkey, Town Council member; Kevin Baity, Town Manager; Chris Sturgeon, Town Attorney; and Anita Neeld, Administrative Assistant.