

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KENTLAND

NEWTON COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED

11/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judy King	01-01-15 to 12-31-19
President of the Town Council	Lowell G. Mitchell James Sammons	01-01-15 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF KENTLAND, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Kentland (Town), for the period from January 1, 2015 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Audit Report of the Town, which provides our 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 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.

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

September 23, 2019

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CLERK-TREASURER
TOWN OF KENTLAND

CLERK-TREASURER
TOWN OF KENTLAND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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, there was a lack of segregation of duties. The Clerk-Treasurer was primarily responsible for all areas of receipting, disbursing, and reporting. Evidence of an oversight or approval process was not documented.

Another employee was responsible for receiving utility collections, posting to the billing system, preparing the deposits, and sometimes taking the deposit to the bank. An oversight or review process of the daily utility receipts was not documented.

Furthermore, time records to substantiate payroll disbursements were not approved by the appropriate department head or supervisor.

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. . . ."

PAYMENT OF CLAIMS PRIOR TO TOWN COUNCIL APPROVAL

Condition and Context

Claims were paid by the Clerk-Treasurer prior to Town Council approval. The paid claims were subsequently submitted to the Town Council at the next scheduled meeting and approved; however, the authority to pay certain claims in advance of Town Council approval would be through an adopted ordinance. Such an ordinance did not exist.

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

Criteria

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-5-4-12(b) states in part:

"Notwithstanding [IC 5-11-10](#), with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of board allowance for the following types of expenses if the town legislative body has adopted an ordinance under subsection (a): . . ."

CREATION OF NEW FUNDS

Condition and Context

The Town did not create ordinances to establish new funds. We were unable to determine which activities were allowable and unallowable for several funds including: the CPX Loan, Cable Tv Franchise, Unrestricted Donations Fund, Community Crossing Grant Fund, and Storm Water Fee funds because of this.

Criteria

Indiana Code 36-1-3-6 states in part:

"(a) If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner.

(b) If there is no constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must either:

- (1) if the unit is a county or municipality, adopt an ordinance prescribing a specific manner for exercising the power; . . .
- (3) comply with a statutory provision permitting a specific manner for exercising the power.

(c) An ordinance under subsection (b)(1) must be adopted as follows:

- (1) in a municipality, by the legislative body of the municipality. . . ."

We feel the powers granted by various statutes authorize the Common Council of a city or the Town Council of a town to create, by ordinance, as many funds as they feel necessary to operate their particular city or town.

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

The enabling ordinance should provide various types of information:

1. The ordinance should clearly indicate the type or types of revenue that is to go into the new fund.
2. The ordinance should list the purpose or purposes for which expenditures can be made from the new fund.
3. The ordinance should establish the life of the new fund and indicate if the fund balance is nonreverting at year end or perpetual until terminated either by the terms of the current ordinance or if another subsequent ordinance must be enacted.
4. The ordinance should provide guidance as to disposition of the fund balance on termination of the fund.
5. The ordinance should include any other terms or conditions the city or town attorney deems necessary.

(The Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2010)



Town of Kentland

September 24th, 2019

State Board of Accounts
302 West Washington Street
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Indianapolis, Indiana 46204-2765

The Town of Kentland would like to respond to the comments from The Audit Report for years 2015 through 2018.

Kentland is a small town, therefore additional help within the office for segregating duties is not financially feasible. I understand the concerns but finances will not permit a third person to be paid due to restrictions of funds. The Clerk does look over duties of the Utility Clerk for entry and deposits. The Clerk does not have anyone look over the payroll receipts but does have a board member look over the bank accounts for balancing and checks are also looked at.

In the future, The Police Chief and Town Manager will be initialing time cards during review.


Payment of claims prior to board approval has been taken care of. An Ordinance #2019-10-09-02 will be adopted at the October 9th, 2019 meeting.

Creation of New Funds Ordinance has not been created yet but it is in the process of being completed.

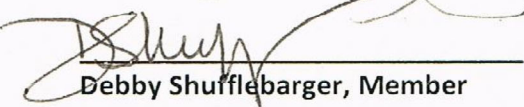
I would also like to thank Tyler Hill and Kaitlin Griffin for their professionalism during the audit.



Judy M. King, Clerk/Treasurer



James Sammons, President



Debby Shufflebarger, Member



David Michael Rowe, Member

CLERK-TREASURER
TOWN OF KENTLAND
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2019, with Judy King, Clerk-Treasurer; James Sammons, President of the Town Council; and Debby Shufflebarger, Town Council member.

TOWN COUNCIL
TOWN OF KENTLAND

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AUDIT RESULTS AND COMMENTS

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TOWN COUNCIL
TOWN OF KENTLAND
AUDIT RESULTS AND COMMENTS
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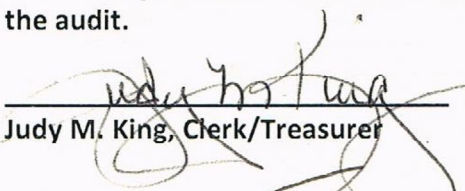
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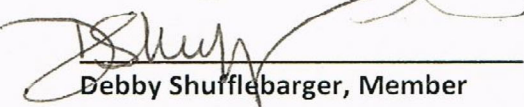
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