

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, 2015 to December 31, 2018



FILED
11/19/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Stanley	08-01-12 to 11-30-15
	Sharon Elliot	12-01-15 to 09-30-16
	Christina Beavers	10-01-16 to 11-30-17
	Jan Lockridge	12-01-17 to 12-31-19
President of the Town Council	Jason Groce	01-01-15 to 12-31-19



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, 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

October 23, 2019

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CLERK-TREASURER
TOWN OF KENNARD

CLERK-TREASURER
TOWN OF KENNARD
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 cash and investment balances, receipts, disbursements, and financial reporting. The Clerk-Treasurer was primarily responsible for all financial activities of the Town and the Wastewater Utility. There were no controls in place such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reports. The failure to establish and maintain internal controls could have enabled material misstatements or irregularities to remain undetected.

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. . . ."

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

LATE SUBMISSION OF CERTIFIED REPORT

Condition and Context

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2018 was not filed electronically until April 12, 2019, which was 71 days past the due date.

Criteria

Indiana Code 5-11-13-1(a) states in part:

"Every . . . town . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Town's Annual Financial Reports for 2017 and 2018 were not filed electronically until March 5, 2018, and April 14, 2019, respectively, which was 4 and 44 days past the due date.

Criteria

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](#)."

CLERK-TREASURER
TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2019, with Jason Groce, President of the Town Council, and Jan Lockridge, Clerk-Treasurer.

TOWN COUNCIL
TOWN OF KENNARD

TOWN COUNCIL
TOWN OF KENNARD
AUDIT RESULT AND COMMENT

MOVING TRAFFIC VIOLATIONS

The Town established an Ordinance Violations Bureau on March 2, 1998, Ordinance 97-4, pursuant to Indiana Code 33-6-3-1, which was in effect at that time, to collect various fines. The Town used the Ordinance Violations Bureau to collect \$975 in fines for moving traffic violations in the year 2018.

Indiana Code 36-1-6-3(c) states:

"An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5." The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code 36-1-6-3(c), Indiana Code 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

TOWN COUNCIL
TOWN OF KENNARD
EXIT CONFERENCE

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