

**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, 2019 to December 31, 2019



**FILED**  
09/25/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-19 to 12-31-20
President of the Town Council	Paul Fetter Ryan Ramsey	01-01-19 to 12-31-19 01-01-20 to 12-31-20
Utility Office Director	Brittany Montgomery	01-01-19 to 12-31-20
Town Manager	Kevin Baity	01-01-19 to 12-31-20



**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, 2019 to December 31, 2019. 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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 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 21, 2020

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CLERK-TREASURER  
TOWN OF CLARKSVILLE

CLERK-TREASURER  
TOWN OF CLARKSVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B55841, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting:

1. Controls over the monthly reconciliation of the depository balance to the financial records was not effective. Monthly reconciliations of the Town funds to the depository balances were performed by designated employees and then reviewed and approved by someone other than the person who prepared the monthly reconciliation; however, reconciling items and variances between the depository balances and the financial records were not being investigated timely. The following items were noted:
  - In May 2017, the Town transferred \$2,472,176 from a money market account to a checking account. The Town erroneously recorded a receipt transaction for the amount of the bank transfer, resulting in the overstatement of the General fund cash balance since May 2017. The Town reported this erroneous receipt transfer as a reconciling item on their monthly reconciliations from May 2017 until July 2020. Audit adjustments were proposed, accepted by the Town, and made to the financial statement to properly reflect the General fund beginning balance as of January 1, 2019.
  - Some monthly reconciliations indicated variances between the depository balance and the financial records and were carried forwarded each month with no evidence that the variance was being investigated.
2. Controls were not in place to ensure all financial activity of the Town was properly recorded in the financial records in a timely manner. As a result, the following errors were noted:
  - Distributions for federal grant monies received in October and December 2019, in the amount \$575,212, were not recorded to the financial records until 2020, with some of the activity not being recorded until April 2020. Audit adjustments were proposed, accepted by the Town, and made to the financial statement to properly report the grant monies received.
  - In addition to the state distributions for federal grant monies mentioned above, there were 19 other instances noted in which state distributions were not recorded to the financial records until 11 to 178 days after they had been received.
  - Earnest money of \$52,000 associated with the 2019 Economic Development Lease Rental Bonds received on October 9, 2019, was not recorded to the financial records until March 6, 2020.

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

- Investment activity for the Town's WW Const Bond fund and SW Bond fund was not properly reported in the Town's financial records. Investment statements received by the Town were not reviewed to ensure interest earned on the investments were properly reported and the investment balance was properly reflected. The purchase and sale of investments were incorrectly recorded in the financial records as gains and losses on investments. Audit adjustments were proposed; accepted by the Town; and made to the financial statements related to the investing activity in the amounts of \$1,820,160 for the overstatement of receipts transactions, and \$1,824,978 for the overstatement of disbursement transactions.
- Financial activity associated with the 2016 Parks Revenue Bond - B&I fund were not recorded to the financial records timely. Activity that occurred in January and June 2019 was not recorded to the financial records until December 2019. Activity in January and June 2018 was not recorded to the records until January 2019. Failure to record activity timely resulted in the overstatement of both receipts and disbursements in the amount of \$392,338, associated with the 2018 activity recorded in 2019.
- Financial activity associated with the Town Court was not recorded timely, nor were proper controls in place to ensure amounts reported were accurate. As a result, the Town Court Operating beginning cash balance was overstated by \$80,425, receipts were overstated by \$11,980, disbursements were overstated by \$22,440, and the ending cash balance was overstated by \$69,965.

*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 CLARKSVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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](#)."

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."

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)

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)

### **MOTOR VEHICLE HIGHWAY RESTRICTED FUND**

#### *Condition and Context*

The Town properly established the Motor Vehicle Highway Restricted fund and reported at least 50 percent of the distribution from the State Motor Vehicle Highway Account for fiscal year 2019; however, some expenditures made from the fund did not comply with the restrictions that monies spent be limited to the construction, reconstruction, or preservation of the Town's highways. Several expenses made were for supplies, maintenance, and repairs.

#### *Criteria*

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

### **CAPITAL ASSETS**

The same comment appeared in prior Report B55841.

#### *Condition and Context*

The Town did not have a complete detailed listing of its capital assets. All additions and deletions during the audit period were not properly recorded into the records. Additionally, a physical inventory had not been taken in the past two years.

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

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (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 September 21, 2020, with Robert P. Leuthart, Clerk-Treasurer; Ryan Ramsey, President of the Town Council; Sherry Lockard, Deputy Clerk-Treasurer; Michael G. Mustain, Town Council member; Brittany Montgomery, Utility Director; and Kevin Baity, Town Manager.