

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, 2020 to December 31, 2020



FILED

12/29/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-20 to 12-31-21
President of the Town Council	Ryan Ramsey	01-01-20 to 12-31-21
Utility Office Director	Brittany Montgomery	01-01-20 to 12-31-21
Town Manager	Kevin Baity	01-01-20 to 12-31-21



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, 2020 to December 31, 2020. 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/.

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

December 14, 2021

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CLERK-TREASURER
TOWN OF CLARKSVILLE

CLERK-TREASURER
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTION AND REPORTING

A similar comment also appeared in the prior Reports B55841 and B55842, 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. Internal controls over the monthly reconciliation of the depository balances to the financial records were 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 balance and the financial records were not being investigated and corrected timely. The following items were noted:
 - In December 2020, a receipt in the amount of \$68,760 was incorrectly recorded to a dormant fund. The error was not detected, and a duplicate receipt was issued to the correct fund, resulting in the overstatement of receipts and the cash balance at year end. The error went undetected, and an erroneous balance was still reflected in the financial records as of December 2021.
 - Depository reconciliations for the 3rd Party Insurance fund were not being properly performed. Items were identified as reconciling items for which there was no documentation to support the amount.
 - When performing the December depository account related to monies associated with an asset management account, the balance used in the reconciliation was the balance of the investment funds reported as of June 30, 2020, instead of December 31, 2020. As a result, the interest earned on the investment of \$18,911 was not identified and recorded.
2. Internal 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:
 - Sewer liens received in the amount of \$182,305 in December 2020 were not recorded to the records until the end of January 2021.
 - In October 2020, the Town received \$150,704 for reimbursement of bond issuance costs; however, the amount was not recorded to the financial records until March 2021.
 - In October 2020, bond proceeds were received in the amount of \$20,362,685, but were not recorded to the financial records until December 2020.

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

- Disbursements were not recorded to the financial records with the date of the actual payment, resulting in activity being recorded in the wrong accounting period. State payroll taxes were being recorded at the end of each month; however, the actual payment was not being made until the subsequent month. Retirement and insurance benefits were recorded on December 28, 2020, and December 29, 2020; however, the actual payments were not made until January 4, 2021, and January 5 2021. This resulted in disbursements totaling \$82,246 being recorded in the wrong accounting period.
- Disbursements were not recorded to the financial records in a timely manner. The following disbursements were recorded approximately a month after the activity occurred:
 1. A disbursement made on February 11, 2020, in the amount of \$1,411,655, was not recorded until March 17, 2020.
 2. A disbursement made on May 20, 2020, in the amount of \$815,523, was not recorded until June 30, 2020.
 3. A disbursement made on September 3, 2020, in the amount of \$1,420,054, was not recorded until October 13, 2020.
- Financial activity associated with the Town Court was not recorded timely, nor were proper internal controls in place to ensure the amounts reported were accurate. As a result, the Town Court Operating fund beginning cash balance was overstated by \$69,965, receipts were understated by \$301, disbursements were understated by \$2,704, and the ending cash balance was overstated by \$72,368.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

3. Internal controls were not in place to ensure the depository account balance had sufficient funds available for checks issued on the account. As a result, the following item was noted:
 - During December 2020, the Park depository bank account was overdrawn on two different occasions. The overdrawn depository balances were the result of the Town not making timely transfers of property tax distributions owed the Park that had been electronically deposited in the Town's general operating bank account. Overdraft fees in the amount of \$50 were incurred, but subsequently refunded by the financial institution.
4. Internal controls were not in place to ensure disbursements were properly documented. As a result, the following items were noted:
 - Disbursements were made from the TAXABLE ECON DEV REV PROJECT BONDS 2020 escrow funds in the amount of \$359,787 and \$339,330 in March 2020 and October 2020, respectively, that did not contain proper documentation to support the amount expended.

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

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. . . .

Management remediates identified issues. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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 transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, 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)

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

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

The same comment also appeared in prior Report B55842.

Condition and Context

The Town properly established the Motor Vehicle Highway (MVH) Restricted fund and receipted at least 50 percent of the distributions from the State Motor Vehicle Highway Account to this fund; however, some of the disbursements paid out of the MVH Restricted fund did not comply with the restrictions that monies spent be limited to the construction, reconstruction, or preservation of the Town's highways. Some disbursements noted were for repairs and service calls.

Criteria

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."

CLERK-TREASURER
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2021, with Robert P. Leuthart, Clerk-Treasurer; Ryan Ramsey, President of the Town Council; Kevin Baity, Town Manager; Chris Sturgeon, Town Attorney; and Sherry Lockard, Deputy Clerk-Treasurer.