

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF KNOX

STARKE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
02/15/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia Kidder	01-01-20 to 12-31-22
Mayor	James (Dennis) Estok	01-01-20 to 12-31-22
President of the Board of Public Works	James (Dennis) Estok	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Jeff V. Berg	01-01-20 to 12-31-22
Utility Clerk	Cheryl Runkle	01-01-20 to 12-31-22
City Court Judge	The Honorable Charles F. Hasnerl	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF KNOX, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Knox (City), 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 City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City'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

February 3, 2022

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CLERK-TREASURER  
CITY OF KNOX

CLERK-TREASURER  
CITY OF KNOX  
AUDIT RESULTS AND COMMENTS

**FINANCIAL REPORTING**

*Condition and Context*

The City did not have a proper system of internal controls related to financial reporting. The City is required to prepare an Annual Financial Report (AFR) by entering data into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement.

The City stated, the Deputy Clerk-Treasurer prepared and entered the data and the Clerk-Treasurer reviewed and submitted the AFR. However, documentation was not provided to verify that process.

*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  
CITY OF KNOX  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

The same comment also appeared in prior Report B55939.

*Condition and Context*

In 2020, the City paid for gas and grant application consulting fees, totaling \$4,257, from the MVH Restricted fund. There was no documentation presented to support that the expense was for preservation, construction, or reconstruction of the City's highways.

*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."

**ORDINANCES AND RESOLUTIONS**

The same comment also appeared in prior Report B55939.

*Condition and Context*

Testing of utility billings determined the City did not follow its ordinances regarding billings. Of the 35 customers tested, 6 customers were not billed the correct penalty rate per the Rate Ordinances.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF KNOX  
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2022, with Cynthia Kidder, Clerk-Treasurer; Jeff V. Berg, President Pro Tempore of the Common Council; James (Dennis) Estok, Mayor; Cheryl Runkle, Utility Clerk; Steve Dodge, Board of Public Works member; and Angela Jesuit, City Court Clerk.

CITY COURT  
CITY OF KNOX

CITY COURT  
CITY OF KNOX  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The City did not have a proper system of internal controls related to cash and investments for one of the two City Court bank accounts.

Bank reconciliations for one of the City Court bank accounts were performed by one employee without any documentation of an oversight or review process to ensure accuracy, completeness, and timeliness.

*Criteria*

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CITY COURT  
CITY OF KNOX  
AUDIT RESULTS AND COMMENTS  
(Continued)

**RECONCILIATION OF SUBSIDIARY LEDGERS**

The same comment also appeared in prior Reports B50985 and B55939.

*Condition and Context*

The City Court subsidiary ledgers of trust and cash bond items held within the Key Court software system did not reconcile to the Cash Book balances. Items held did not reconcile as follows:

Description	December 31, 2020	
	Trust	Cash Bonds
Balance per Cash Book	\$ 50,841	\$ 42,490
Balance per Register	32,870	38,806
Difference - cash long	\$ 17,971	\$ 3,684

*Criteria*

REGISTER OF TRUST FUNDS (GENERAL FORM NO. 102) - This record is commonly referred to as the "trust fund register." It is a register wherein money received for the benefit of all persons or parties is entered in detail. The posting to this record is made from the duplicate receipts and checks and from the trust column of the court cash book. Items entered in other columns of the cash book must not be posted in the trust fund register. The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

CITY COURT  
CITY OF KNOX  
EXIT CONFERENCE

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