

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KNIGHTSTOWN

HENRY COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

03/24/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth A. Huffman (Vacant)	01-01-20 to 12-31-21 01-01-22 to 01-21-22
President of the Town Council	Bart Whitesitt Sarah Ward	01-22-22 to 12-31-22 01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF KNIGHTSTOWN, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Knightstown (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 18, 2022

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CLERK-TREASURER
TOWN OF KNIGHTSTOWN

CLERK-TREASURER
TOWN OF KNIGHTSTOWN
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

There was no evidence presented that the Town had completed a physical inventory of capital assets within the last two years.

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)

CONDITION OF RECORDS

Condition and Context

Verification of the combined bank reconciliation, as of December 31, 2020, identified a cash short in the amount of \$21,900.

Criteria

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 (MVH) - RESTRICTED FUND

Condition and Context

The Town had not created the Motor Vehicle Highway (MVH) Restricted fund as required during the audit period. Activity of the MVH Restricted fund was not reported separately from the MVH fund in the Annual Financial Report filed in the Indiana Gateway for Government Units financial reporting system. Thus, all State Motor Vehicle Highway Account distributions were incorrectly posted to the MVH fund.

The MVH Restricted fund was subsequently created in 2021, and the prior distributions were corrected to the proper fund.

Criteria

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

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

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report.

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)

ADVANCE PAYMENTS

Condition and Context

One claim, in the amount of \$1,764, was issued December 31, 2020, as a reimbursement to the Clerk-Treasurer for the purchase of six laptop computers for the Clerk-Treasurer and the Town Council on a personal credit card. The claim lacked appropriate supporting documentation and was issued prior to the purchase of the computers.

The amount reimbursed was based upon the quoted value of one laptop computer at \$294, pre-tax. When the devices were purchased on January 5, 2021, only one of the quoted laptop computers was purchased. The remaining five devices were Chromebook laptops purchased from a different vendor for \$1,158, pre-tax. The total purchase price for all laptops was \$1,452, resulting in an initial overpayment to the Clerk-Treasurer. Subsequently, on January 21, 2021, services for the setup of Chromebooks and an annual Zoom membership for \$291 and \$150, respectively, were purchased by the Clerk-Treasurer on a personal credit card which were not reimbursed.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received 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 KNIGHTSTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

CLERK-TREASURER
TOWN OF KNIGHTSTOWN
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2022, with Bart Whitesitt, Clerk-Treasurer; Wanda Olsheske, Deputy Clerk-Treasurer; Sarah Ward, President of the Town Council; Beth A. Huffman, former Clerk-Treasurer; Landon Dean, Town Council member; Cheryl Hammer, Town Council member; and Chuck Rhodes, Town Council member.