

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FRANKTON

MADISON COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
07/21/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jerry Ehman	01-01-21 to 12-31-22
President of the Town Council	Victoria J. Hart	01-01-21 to 12-31-21
	Larry Shively	01-01-22 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FRANKTON, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Frankton (Town), for the period from January 1, 2021 to December 31, 2021. 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

June 30, 2022

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CLERK-TREASURER  
TOWN OF FRANKTON

CLERK-TREASURER  
TOWN OF FRANKTON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The same comment appeared in the prior Report B57366, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There were deficiencies in the internal control system of the Town related to cash and investments and reporting. The Town had not properly designed or implemented internal controls over cash and investments and financial close and reporting. There were no internal controls in place, such as an oversight, review, or approval process to ensure their accuracy.

An evaluation of the Town's system of internal control had not been conducted. Additionally, the Town did not have a process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal controls.

*Cash and Investments (Bank Reconciliations)*

The Town had not properly designed or implemented internal controls over cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

Monthly bank reconciliations were completed by the Clerk-Treasurer without any oversight or review.

*Financial Close and Reporting*

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement. This information was entered into Gateway by the Clerk-Treasurer without any oversight or review. The Town had not established internal controls to prevent, or detect and correct, errors on the Town's financial statement.

*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. . . .

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

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. . . ."

## **CAPITAL ASSETS**

The same comment appeared in the prior Report B57366.

### *Condition and Context*

The following noncompliance was observed regarding the Town's Capital Assets:

- The Town did not complete a physical inventory at least once every two years.
- The capital asset ledger included items below the capitalization threshold identified in their capital assets policy.

### *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)

## **SCHEDULE OF PAYABLES AND RECEIVABLES**

### *Condition and Context*

The Town's Annual Financial Report included the Schedule of Payables and Receivables. The Town's presented Schedule of Payables and Receivables incorrectly included the same amount for governmental activities and electric resulting in an overstatement of \$98,347. An adjustment to remove the overstatement was proposed, accepted by the Town, and made to the Schedule of Payables and Receivables included in the issued financial report.

### *Criteria*

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](#)."

CLERK-TREASURER  
TOWN OF FRANKTON  
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2022, with Jerry Ehman, Clerk-Treasurer, and Larry Shively, President of the Town Council.

TOWN COUNCIL  
TOWN OF FRANKTON

TOWN COUNCIL  
TOWN OF FRANKTON  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

A similar comment appeared in the prior Report B57366, entitled *TRAINING AND CERTIFICATION ON INTRNAL CONTROLS*.

*Condition and Context*

All applicable Town employees had not completed the training over the minimum internal control standards.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF FRANKTON  
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2022, with Jerry Ehman, Clerk-Treasurer, and Larry Shively, President of the Town Council.