

**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, 2021 to December 31, 2021



**FILED**  
09/15/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-21 to 12-31-22
President of the Town Council	Ryan Ramsey	01-01-21 to 12-31-22
Utility Office Director	Brittany Montgomery	01-01-21 to 12-31-22
Town Manager	Kevin Baity	01-01-21 to 12-31-22



**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, 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 25, 2022

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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 appeared in prior Reports B55841, B55842, and B58189, 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 preparation of the financial statement were ineffective. Due to the lack of effective internal controls the following errors were identified:
  - In accordance with regulatory accounting guidelines, financial activity of monies held in escrow should not be reported in a unit's financial statement as the unit no longer has financial control and legal access to the funds. Financial activity associated with monies held in escrow for the advanced refund of the 2014 Sewer Works Bond were incorrectly included in the Town's financial statement which overstated beginning cash and investments balance by \$8,483,788, receipts by \$37,600, disbursements by \$636,785, and ending cash and investments balance by \$7,884,603.
  - Transfers between depository bank accounts for the 2020 Sewage Works Bond Fund Acct were incorrectly included the financial statement, which overstated receipts and disbursements by \$21,271,685.

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

2. Proper internal controls were not in place to ensure the accuracy of the Town Court financial activity. Incorrect amounts were reported by the Town Court for inclusion in the financial statement, which overstated the beginning cash and investments balance by \$72,368, understated receipts by \$28, overstated disbursements by \$174,618, and understated ending cash and investments balance by \$102,278.
3. 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 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 investigated and corrected timely.

Depository reconciliations for the 3<sup>rd</sup> Party Insurance fund were not properly performed. Items were identified as reconciling items for which there was no documentation to support the amount. When the Town was notified of the issue during the audit of the 2020 financial statement, new bank reconciliations were performed; however, unidentified variances still existed in the amount of \$22,152.

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. . . ."

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 the public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

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

A similar comment appeared in prior Reports B55842 and B58189.

*Condition and Context*

The Town transferred in excess of 50 percent of the distributions received from the State Motor Vehicle Highway Account to the Motor Vehicle Highway (MVH) Restricted fund. The Town had not passed an ordinance or resolution that would permit them to allocate more than 50 percent of the distributions to the MVH Restricted fund.

A review of the disbursements paid from the MVH Restricted fund showed that 3 out of 10 disbursements tested were for expenses that were not related to the construction, reconstruction, or preservation of the Town's highways. Exceptions noted included payments for repairs and service calls and for a state champion road sign for a local high school.

*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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions 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."

CLERK-TREASURER  
TOWN OF CLARKSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2022, with Robert P. Leuthart, Clerk-Treasurer; Sherry Lockard, First Deputy Clerk-Treasurer; Kevin Baity, Town Manager; Ryan Ramsey, President of the Town Council; Jennifer Voignier, Town Council member; and Chris Sturgeon, Attorney.