

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TOWN OF CLARKSVILLE

CLARK COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

06/30/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-22 to 12-31-23
President of the Town Council	Ryan Ramsey	01-01-22 to 12-31-23
Utility Office Director	Brittany Montgomery (Vacant)	01-01-22 to 10-28-22 10-29-22 to 12-31-23
Town Manager	Kevin Baity	01-01-22 to 12-31-23



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TOWN OF CLARKSVILLE, CLARK COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Town of Clarksville (Town), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the Town's financial statement and have issued our report thereon dated May 16, 2023, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

***Town of Clarksville's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 16, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE TOWN OF CLARKSVILLE, CLARK COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the Town of Clarksville's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. The Town's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

**Basis for Opinion on the Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002, to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the Town, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated May 16, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 16, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF CLARKSVILLE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/Small Cities Program Beat the Heat	Indiana University	14.219	52079	\$ -	\$ 72,506
Total - Department of Housing and Urban Development				-	72,506
<u>Department of Justice</u>					
Equitable Sharing Program NR POL FED SEIZED/JUSTICE	Direct Grant	16.922	IN0100200	-	71,261
Total - Department of Justice				-	71,261
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction BMR PHASE II MONTGOMERY AVE BIKE/PED FACILITIES RIVERSIDE DRIVE	Indiana Department of Transportation	20.205	DES NO 1700724 DES NO 1801597 DES NO 1700725	- - -	596,670 53,379 1,027,226
Total - Highway Planning and Construction				-	1,677,275
Total - Highway Planning and Construction Cluster				-	1,677,275
Highway Safety Cluster State and Community Highway Safety POLICE REIMB OT GRANT	Town of Sellersburg	20.600	38808	-	2,124
Total - Highway Safety Cluster				-	2,124
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research KIPDA THOROUGHFARE GRANT	Kentuckiana Regional Planning and Development Agency	20.505	DES NO 2101673	-	2,222
Total - Department of Transportation				-	1,681,621

TOWN OF CLARKSVILLE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds ARP CV LOCAL FISCAL RECOVERY	Indiana Finance Authority	21.027	IN0086	-	354,242
Total - Department of the Treasury				-	354,242
<u>Environmental Protection Agency</u>					
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements EPA BROWNFIELDS GRANT EPA BROWNFIELDS GRANT 2022	Direct Grant	66.818	2019 2021	-	31,946
Total - Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				-	60,362
Total - Environmental Protection Agency				-	60,362
<u>Department of Homeland Security</u>					
Hazard Mitigation Grant FEMA HAZARD MITIGATION PROGRAM	Direct Grant	97.039	50399	-	96,245
Port Security Grant Program FIRE FEMA PORT SECURITY	Direct Grant	97.056	EMW-2020-PU-00315-S01	-	119,889
Total - Department of Homeland Security				-	216,134
Total federal awards expended				\$ -	\$ 2,456,126

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF CLARKSVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF CLARKSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2022-001**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-001.

*Condition and Context*

The Town had not established effective internal controls over the financial and other information entered into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement presented for audit.

TOWN OF CLARKSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Town failed to properly review the financial information prepared and submitted in Gateway. Although the Chief Deputy Clerk-Treasurer entered the information into Gateway, the Town Manager reviewed the information entered, and the Clerk-Treasurer approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial and other information presented for audit included the following errors:

- Funds of the Clarksville Redevelopment Authority (Authority) were incorrectly reported within the Town's financial statement. The Authority is a separate legal entity and financial activities of the Authority should not be reported in the financial statement of the Town. This resulted in the Town's receipts, disbursement and ending cash and investments being overstated by \$13,875,644, \$12,770,973, and \$1,104,671, respectively.

Adjustments to eliminate the Authority's financial activities were proposed, accepted by the Town, and made to the financial statement and to the combining schedule presented as Required Supplementary Information in the Financial Statement Audit Report.

- Incorrect amounts were reported by the Town Court which understated the beginning cash and investment balance by \$102,279; overstated receipts by \$91,290; understated disbursements by \$38,515, and overstated of the ending cash and investment balance by \$27,526.

*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 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](#)."

TOWN OF CLARKSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not established a proper system of internal controls that would have ensured proper recording of financial transactions and reporting.

*Effect*

Without a proper system of internal controls in place that operated effectively, misstatements occurred and remained undetected. The financial statement contained the errors identified in the *Condition and Context*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2022-002**

Subject: Highway Planning and Construction Cluster - Internal Controls

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

Assistance Listings Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES NO 1700724,  
DES NO 1801597,  
DES NO 1700725

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Audit Finding: Material Weakness

*Condition and Context*

The Town had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, material noncompliance related to expenditures made from the Highway Planning and Construction funds.

The Indiana Department of Transportation (INDOT) administers the Highway Planning and construction program in the State of Indiana. The INDOT passes federal funds through to the Local Public Agencies (LPA) for qualifying projects to construct, preserve, and improve transportation on the nation's roads. When a project is awarded, the contract outlines specific requirements with which the LPA is required to comply. When the LPA signs the contract, they accept their responsibility for ensuring each local federal-aid project complies with all federal laws and regulations. The LPA is also required to appoint at least one full-time employee as the Employee in Responsible Charge (ERC) to manage the award.

In order to receive reimbursement, the LPA is required to submit an LPA Invoice Voucher with supporting documentation. Invoices are to be reviewed for accuracy, and approved by the ERC, before payment by the LPA. Proof of the ERC review must be provided when requesting reimbursement on the LPA Invoice Voucher. Given INDOT's thorough review process for ensuring expenses are allowable, our objective was to verify invoices were not charged to any other federal programs and that invoices sent to the INDOT were not fraudulent.

TOWN OF CLARKSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Capital Projects Manager/ERC prepared and submitted the LPA Invoice Vouchers without a review or oversight process in place to ensure that the expenses were not charged to any other federal programs and were not fraudulent.

The lack of internal controls was a systematic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

A proper system of internal controls over the Highway Planning and Construction expenditures was not designed by management of the Town, which would include segregation of key functions to ensure Highway Planning and Construction funds were not fraudulent or charged to other federal programs. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the Town's management perspective of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

*Effect*

Without the proper implementation of an effectively designed system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the Town design and implement a proper system of internal controls that would provide segregation of duties for the preparation of the LPA Invoice Voucher and the review of the LPA Invoice Voucher prior to submission to the INDOT. Additionally, policies and procedures should be implemented to ensure appropriate reviews, approvals, and oversight are taking place.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2021-001**

Fiscal year in which the finding initially occurred: 2019.

Status of Audit Finding: Partially Corrected

Financial Transactions and Reporting

1. Corrective action taken. The Town had previously reported on the AFR the Escrow account held with BNY. The Town did not report this fund on the 2022 AFR and the account is now closed.

Corrective action taken. The Town had previously reported transfers from the Wastewater MMA bank account to the 2020 Sewage Works Bond. The Town did not report these transfers or fund information on the 2022 AFR.

The Clerk-Treasurer's office is continuing to develop procedures to identify and prevent the inclusion of funds not obligated to the Town.

2. Corrective action taken. SBOA Field Examiner prepared a spreadsheet for the Court to submit to the Clerk Treasurer's Office to show the total receipts and disbursements for all the Town Court's bank accounts. A one time adjustment was made to include the missing bank's information, and the Town Court has submitted the spreadsheet to the Clerk Treasurer with each month's financials. The fund balance now balances with the combined bank balances. Evidence of submissions are located in the Town Court bank recon folder or on the Gateway in the annual submission section.

Clerk-Treasurer's office and the Court are continuing to develop procedures for more accurate reporting of the Town Court records into the Clerk-Treasurer's records.

3. Corrective action taken. Chief Deputy Clerk went back to the last bank statement she balanced in 2017 and re-reconciled the statements for the Town's 3<sup>rd</sup> party insurance account on an excel spreadsheet. Each month's reconciliation balances to the statement and the fund balance, based on receipts and disbursements. Copies of the reconcilements are available in the Insurance account bank reconciliation folders.

Reconciling items are now being investigated timely.



CORRECTIVE ACTION PLAN

**FINDING 2022-001**

Contact Person Responsible for Corrective Action: Sherry Lockard  
Contact Phone Number: 812-283-1500

Views of Responsible Official: The Town concurs with the finding.

Description of Corrective Action Plan:

1. The Deputy Clerk has added verbiage to the name of the Funds to include Redevelopment Authority (RDA), to identify the funds as a part of the RDA and not the Town's financial reporting. The Deputy Clerk Treasurer will input the information into Gateway and the Town Manager and Clerk Treasurer will review and approve the information prior to submission.
2. The Town will work with the Town Court to get accurate information that encompasses the entire year activity with the Town Court.

Anticipated Completion Date: May 9, 2023.

**CORRECTIVE ACTION PLAN*****FINDING 2022-002***

Contact Person Responsible for Corrective Action: Sherry Lockard  
Contact Phone Number: 812-283-1500

Views of Responsible Official: The Town concurs with the finding.

Description of Corrective Action Plan: The Town has assigned the duties to request reimbursement (LPA Invoice Voucher) from the IN Dept of Transportation to the Office Manager of Public Works. The Office Manager will prepare the LPA Invoice Voucher for INDOT and one of the two ERC's, Public Works Director, or Assistant Public Works Director, will review for accuracy and sign off on the LPA Invoice Voucher.

Anticipated Completion Date: May 9, 2023

## OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.