

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KINGMAN

FOUNTAIN COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/20/2024



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls .....	6-7
Ordinances and Resolutions .....	7
Condition of Records.....	8
Exit Conference .....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kendal Buker	01-01-23 to 12-31-24
President of the Town Council	Robyn Whitaker Bryan Shields	01-01-23 to 12-31-23 01-01-24 to 12-31-24



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF KINGMAN, FOUNTAIN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Kingman (Town), for the period from January 1, 2023 to December 31, 2023. 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 the 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

September 3, 2024

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF KINGMAN

CLERK-TREASURER  
TOWN OF KINGMAN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment also appeared in prior Report B61819.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not properly designed or implemented internal controls over cash and investments and financial close and reporting.

The Town had not conducted an evaluation of its system of internal controls. Effective internal controls over financial reporting requires the Town to monitor and assess the quality of its system of internal controls. Additionally, the Town did not have a process to identify or communicate corrective actions to improve internal controls.

*Cash and Investments (Bank Reconciliations)*

The Town had not properly designed or implemented internal controls over cash and investments, including bank reconciliations.

Monthly bank reconciliations were completed by the Clerk-Treasurer. No internal controls were identified over monthly bank reconciliations.

*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 Annual Financial Report (AFR). This information was entered into Gateway by the Clerk-Treasurer with no internal controls in place to prevent, or detect and correct, errors.

The AFR for 2023 contained a number of errors and did not properly reflect the financial activity of the Town. These errors included:

- The OCRA Operating Grant Fund receipts and disbursements each totaling \$275,851 were not included on the AFR.
- The INDOT Grant Fund was not included on the AFR understating receipts, disbursements, and ending cash and investments balance by \$130,485, \$93,640, and \$36,845, respectively.
- The Wastewater Utility Bond and Interest Fund disbursements were understated and ending cash and investments balance overstated by \$22,107.

Adjustments were proposed, accepted by the Town, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town.

CLERK-TREASURER  
TOWN OF KINGMAN  
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 as set forth in the uniform compliance guidelines. 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](#)."

**ORDINANCES AND RESOLUTIONS**

A similar comment appeared in a Management Letter addressed to the officials of the Town for the period ending December 31, 2022.

*Condition and Context*

The Sewage Works Revenue Bond of 2019 required the Town to create and maintain a debt reserve fund. The Town created the fund as required but later deleted the fund from the software program.

The Sewage Works Revenue Bond of 2019 required the Town to pay the principal and interest of the bond solely from the Sewage Works Sinking Fund. The principal and interest payments made during the audit period were paid from the Wastewater Utility Operating fund.

One commercial customer was billed a flat rate for sewer each month, regardless of the amount of water used. The utility rate ordinance adopted by the Town Council did not include an exception to the metered usage rates.

*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  
TOWN OF KINGMAN  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS**

The same comment also appeared in prior Report B61819.

*Condition and Context*

In 2021, the Wastewater Utility-Debt Reserve fund (Fund) was removed from the software system. The Fund had a cash and investments balance of \$30,348 at the time of its removal from the record. The intent was to combine the Fund with the Wastewater Util-Bond And Interest fund in the record. The Fund was reported correctly in the AFR.

*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)

CLERK-TREASURER  
TOWN OF KINGMAN  
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2024, with Kendal Buker, Clerk-Treasurer, and Josh Paxton, Town Council member.