

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WILKINSON

HANCOCK COUNTY, INDIANA

January 1, 2012 to December 31, 2017



**FILED**  
10/17/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janette Young	01-01-12 to 12-31-19
President of the Town Council	Richard Roberts	01-01-12 to 02-07-15
	Ralph Wales	02-08-15 to 07-11-15
	(Vacant)	07-12-15 to 07-31-15
	Dennis Fisher	08-01-15 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WILKINSON, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Wilkinson (Town), for the period from January 1, 2012 to December 31, 2017. 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 Statements Audit Report of the Town, which provides our opinion on the Town's financial statements. 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

September 12, 2018

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CLERK-TREASURER  
TOWN OF WILKINSON

CLERK-TREASURER  
TOWN OF WILKINSON  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

A similar comment also appeared in prior Report B41580, entitled *CONDITION OF RECORDS*.

Financial records presented for audit were inaccurate and not reflective of the activity of the Town. The records presented did not provide sufficient information to determine the accuracy or correctness of the beginning cash and investment balances, receipts, disbursements, or ending cash and investment balances.

The records and reports included the following errors:

1. The detailed ledger of receipts and disbursement from the computerized accounting system did not agree to the fund reports or the Annual Financial Report (AFR), which was the source for the financial statements, for any year of the audit.
  - The total receipts reported on the detailed revenue trial balance report differed from the fund report by between (\$1,448) and \$26,429 for the years 2012, 2015, 2016, and 2017.
  - The total disbursements reported on the detailed budget trial balance report differed from the fund report by between (\$15,025) and \$43,231 for all years of the audit.
  - Adjustments were made to the computer generated reports by pencil, but the adjustments were not made in the computerized accounting system, which caused the computer generated reports to not match the AFRs. We were unable to verify the validity of these adjustments.
2. Beginning fund report cash and investment balances did not agree to the ending fund report cash and investment balances of the prior year. The beginning fund report cash and investment balances differed from the prior year ending balances by \$5,028, \$42,206, and \$21,702 for the years 2014, 2016, and 2017, respectively.

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 Towns, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

A similar comment also appeared in prior Report B41580, entitled *CONDITION OF RECORDS*.

Bank account reconciliations were not properly performed during the audit period. The bank account reconciliations presented listed the bank balance, reconciling items, and an adjusted bank balance. The reconciling items were incomplete or inaccurate. There was also no documentation that the adjusted bank balance was reconciled to the Town's record balance. At December 31, 2017, the record balance exceeded the bank balance by \$10,896.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investment balances, receipts, disbursements, and financial reporting. The Clerk-Treasurer was primarily responsible for all financial activities. There were no controls in place such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reports. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

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. . . ."

**PENALTIES, INTEREST, AND OTHER CHARGES**

A similar comment also appeared in prior Report B41580, entitled *PENALITIES, INTEREST, AND OTHER CHARGES*.

Penalties and interest totaling \$319 were paid to the Internal Revenue Service during the audit period. Due to the condition of records, and lack of supporting documentation, we could not determine if additional penalties, interest, or other charges were paid.

On September 4, 2018, the Clerk-Treasurer reimbursed the Town \$319 for the penalties and interest paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit 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 WILKINSON  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The Clerk-Treasurer certified on the AFR that the Town's required personnel had received training over internal control standards in accordance with Indiana Code 5-11-1-27(g). The Town did not, however, provide the required training.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 WILKINSON  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2018, with Janette Young, Clerk-Treasurer; David Elliot, Town Council member; and Dennis Fisher, President of the Town Council.

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TOWN COUNCIL  
TOWN OF WILKINSON

TOWN COUNCIL  
TOWN OF WILKINSON  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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

". . . 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 WILKINSON  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2018, with Janette Young, Clerk-Treasurer; David Elliot, Town Council member; and Dennis Fisher, President of the Town Council.