

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KEMPTON

TIPTON COUNTY, INDIANA

January 1, 2013 to December 31, 2015



FILED
11/10/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|------------------|----------------------|
| Clerk-Treasurer | Rebecca Sherrill | 01-01-12 to 12-31-19 |
| President of the Town Council | Alice Book | 01-01-13 to 12-31-13 |
| | Russell Williams | 01-01-14 to 12-31-14 |
| | Alice Book | 01-01-15 to 12-31-16 |
| | Troy Bitner | 01-01-17 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF KEMPTON, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Kempton (Town), for the period from January 1, 2013 to December 31, 2015. 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/.

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

October 1, 2018

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CLERK-TREASURER
TOWN OF KEMPTON

CLERK-TREASURER
TOWN OF KEMPTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There was a deficiency in the Town's internal control system over cash and investments, receipts, and financial close and reporting. The Clerk-Treasurer reconciled cash and investments, received and recorded all receipts, and independently input and submitted financial information into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system and the source of the Annual Financial Report (AFR) and financial statements. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission in Gateway.

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. . . ."

FINANCIAL TRANSACTIONS AND REPORTING - OMITTED FUNDS

The Clerk-Treasurer input the financial information into Gateway, which was the source of the AFR and financial statements. The following errors were identified on the 2015 AFR and financial statement:

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

1. The Wastewater Utility Bond and Interest fund was originally omitted, which resulted in receipts and disbursements being understated by \$2,044.
2. The Wastewater Utility Reserve fund was originally omitted, which resulted in receipts and disbursements being understated by \$812.
3. The Wastewater Utility Construction fund was originally omitted, which resulted in receipts and disbursements being understated by \$93,000.
4. The Wastewater Utility BAN A fund was originally omitted, which resulted in receipts and disbursements being understated by \$300,497.
5. The Community Development Block Grant fund was originally omitted, which resulted in receipts and disbursements being understated by \$5,080.
6. The Wastewater Utility Operating fund was originally omitted, which resulted in receipts being understated by \$11,811 and disbursements being understated by \$4,887.

Audit adjustments were proposed, approved by the Town, and made to the 2015 financial statement.

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 KEMPTON
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2018, with Rebecca Sherrill, Clerk-Treasurer; Alice Book, Town Council member; and Ron Hammock, Town Council member.