

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KNIGHTSTOWN

HENRY COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
01/03/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Financial Transactions and Reporting .....	6-7
Bank Reconcilements .....	7
Exit Conference .....	8
Town Council:	
Audit Result and Comment:	
Moving Traffic Violations .....	10
Exit Conference .....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Haines	01-01-13 to 06-30-13
	Linda Glenn	07-01-13 to 07-25-13
	Bart Whitesitt	07-26-13 to 12-31-15
	Beth A. Huffman	01-01-16 to 12-31-19
President of the Town Council	Clyde South	01-01-13 to 12-31-13
	Cort Swincher	01-01-14 to 12-31-14
	Sarah Ward	01-01-15 to 12-31-18



**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 KNIGHTSTOWN, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Knightstown (Town), for the period from January 1, 2013 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

November 21, 2018

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF KNIGHTSTOWN

CLERK-TREASURER  
TOWN OF KNIGHTSTOWN  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial reporting. One individual was responsible for uploading data from the accounting software to the Indiana Gateway for Government Units (Gateway) financial reporting system without a review or approval process by another individual. Gateway was the source for the Annual Financial Reports and financial statements.

The failure to establish adequate internal controls enabled misstatements of the financial statements to occur and remain undetected. Adjustments were proposed, accepted, and made to the financial statements.

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. . . .

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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](#)."

***BANK RECONCILEMENTS***

The Town prepared complete monthly bank reconcilements; however, the reconcilements contained unexplained and immaterial errors. During the audit period, the Town only reconciled bank activity to funds associated with a checking account. Investments held by the Town, as with two Certificates of Deposits, were not considered in the reconcilements.

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 KNIGHTSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2018, with Beth A. Huffman, Clerk-Treasurer; Bart Whitesitt, former Clerk-Treasurer; and Sarah Ward, President of the Town Council.

TOWN COUNCIL  
TOWN OF KNIGHTSTOWN

TOWN COUNCIL  
TOWN OF KNIGHTSTOWN  
AUDIT RESULT AND COMMENT

**MOVING TRAFFIC VIOLATIONS**

The Town Council approved Ordinance 6-2014 to establish an Ordinance Violations Bureau (OVB) and a schedule of ordinances subject to commission of violations in accordance with Indiana Code 33-36. However, the Town also used the OVB to collect fines for moving traffic violations instead of processing these violations through a court or established Traffic Violations Bureau as required by statute. The amount of collections for moving traffic violations identified for the period from September 2016 to October 22, 2018, is listed below. No documentation was provided to identify collections for moving traffic violations prior to September 2016.

<u>Years</u>	<u>Amout Collected</u>
2016	\$ 300
2017	600
2018	<u>5,400</u>
Total	<u>\$ 6,300</u>

Indiana Code 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with [IC 34-28-5](#)."

The accounts of each public official and public office should reflect the proper treatment of fines collected for moving traffic violations as required by Indiana Code § 36-1-6-3(c), Indiana Code Ch. 34-28-5, and this Directive. Failure to do so will result in a civil action against those public officials who are responsible for the improper enforcement and collection of fines for moving traffic violations as allowable by law. (State Examiner Directive 2015-1)

TOWN COUNCIL  
TOWN OF KNIGHTSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2018, with Beth A. Huffman, Clerk-Treasurer; Bart Whitesitt, former Clerk-Treasurer; and Sarah Ward, President of the Town Council.