

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF KNIGHTSVILLE

CLAY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
07/30/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Charlotte Reyher Terri Close	01-01-15 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Charles M. Kester Steve Withers	01-01-15 to 12-31-15 01-01-16 to 12-31-19
Water Utility Clerk	Linda Minnick Shelby Gossage	01-01-15 to 12-31-17 01-01-18 to 12-31-19



**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 KNIGHTSVILLE, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Knightsville (Town), for the period from January 1, 2015 to December 31, 2018. 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

June 12, 2019

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CLERK-TREASURER  
TOWN OF KNIGHTSVILLE

CLERK-TREASURER  
TOWN OF KNIGHTSVILLE  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the Town related to financial transactions and reporting for cash and investments, receipts, and financial close and reporting.

Cash and Investments - The Clerk-Treasurer and Deputy Treasurer completed the monthly bank reconcilements together. The Town Council had not implemented a system of oversight, review, or approval process.

Receipts - The Town had not segregated key functions related to receipts. The Clerk-Treasurer wrote the receipts, posted to the ledger, and deposited the funds in the bank. The Water Utility Clerk received the money for utility payments, posted to the customer accounts, and deposited the funds in the bank. The Town Council had not implemented a system of oversight, review, or approval process.

Financial Close and Reporting - The Clerk-Treasurer compiled and submitted the Annual Financial Report. The Town Council had not implemented a system of oversight, review, or approval process.

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. . . ."

Town of Knightsville  
9692 N Crawford Street  
PO Box 167  
Knightsville IN 47857-0167

To: State Board of Accounts

In regards to the comment on our audit report for the years of 2015-2018, I would like to make a comment on behalf of the town of Knightsville.

Our comment was concerning our lack of internal control measures surrounding our water receipts. I want to state that this audit was a learning experience that I am grateful for. As a new clerk in 2016, I thought everything was covered with our internal control measures.

We are setting the standards in place and implementing the necessary procedures to cover this lapse in the internal controls for this area of the town's business. With guidance from our auditor, we believe we are now in compliance and setting a foundation for the future security in the waterworks area for the town of Knightsville.

Thank you for the opportunity to make this statement.

Best regards,

Terri Close  
Clerk-Treasurer  
Town of Knightsville

CLERK-TREASURER  
TOWN OF KNIGHTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Terri Close, Clerk-Treasurer, and Charlotte Reyher, Deputy Clerk-Treasurer.

TOWN COUNCIL  
TOWN OF KNIGHTSVILLE

TOWN COUNCIL  
TOWN OF KNIGHTSVILLE  
AUDIT RESULT AND COMMENT

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TOWN COUNCIL  
TOWN OF KNIGHTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Steve Withers, President of the Town Council.