

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WALKERTON

ST. JOSEPH COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
12/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Theresa Buckmaster	01-01-16 to 12-31-19
President of the Town Council	Karol S. Jackson	01-01-16 to 12-31-19
Director of Public Works	Jason Cox	01-01-16 to 12-31-19
Town Court Judge	The Honorable Daniel P. Chamberlin	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WALKERTON, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Walkerton (Town), for the period from January 1, 2016 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/.

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 26, 2019

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CLERK-TREASURER
TOWN OF WALKERTON

CLERK-TREASURER
TOWN OF WALKERTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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 established a system of internal controls or separated incompatible activities related to cash and investments and vendor disbursements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Town established a procedure that the monthly bank reconciliations were performed by the Clerk-Treasurer and reviewed by the President of the Town Council. However, this procedure was not effective, as the following errors on the reconciliations occurred and went undetected:

1. Bank interest for the audit period totaling \$26,881 from various Town bank accounts was not recorded in the Town's ledgers in 2016, 2017, and 2018, and was not reflected in the Towns' reconciliations.
2. An unallocated amount of \$2,116 was presented as a reconciling item throughout the audit period. This unallocated amount was created to track overpayment of customer utility accounts, but remained constant throughout the audit period.

Vendor Disbursements

The Town had not established a system of internal controls or separated incompatible activities related to vendor disbursements that would have ensured that vendor disbursements were certified by the Clerk-Treasurer prior to approval by the Town Council. Vendor disbursements were not certified by the Clerk-Treasurer in 2016, 2017, and through June 2018. Beginning in July 2018, vendor disbursements were certified by the Clerk-Treasurer prior to approval by the Town Council.

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.

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

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. . . .

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 5-13-6-1(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."

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Of the claims tested, 47 percent were not approved by the officer or person receiving the goods and services.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (2) the invoice or bill is approved by the officer or person receiving the goods and services; . . ."

CLERK-TREASURER
TOWN OF WALKERTON
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2019, with Theresa Buckmaster, Clerk-Treasurer, and Karol S. Jackson, President of the Town Council.

TOWN COURT
TOWN OF WALKERTON

TOWN COURT
TOWN OF WALKERTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the Town Court related to receipts, transactions, and financial reporting. The Town had not established a system of internal controls or separated incompatible activities related to receipts and financial reporting. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Receipts

The Town Court Clerk prepared deposits slips and deposited the monies to the Town Court's bank account without any oversight, review, or approval procedures to ensure their accuracy.

Financial Reporting

Supplemental Annual Financial Reports (AFR) for the Town Court were filed using incorrect amounts. The Town Court is required to prepare a Supplemental AFR at year end to submit to the Clerk-Treasurer so the transactions can be reported in the Town's AFR, which is the source for the financial statements. There was no evidence of a control, such as an oversight, review, or approval process to ensure the accuracy of the information submitted to the Clerk-Treasurer.

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 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](#)."

TOWN COURT
TOWN OF WALKERTON
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2019, with The Honorable Daniel P. Chamberlin, Town Court Judge; Theresa Buckmaster, Clerk-Treasurer; and Karol S. Jackson, President of the Town Council.