

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WALTON

CASS COUNTY, INDIANA

January 1, 2017 to December 31, 2019



FILED
07/06/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kim L. Craig	01-01-17 to 12-31-20
President of the Town Council	Mike Robison	01-01-17 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Walton (Town), for the period from January 1, 2017 to December 31, 2019. 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 opinions 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 describes the identified reportable instance 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

May 21, 2020

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CLERK-TREASURER
TOWN OF WALTON

CLERK-TREASURER
TOWN OF WALTON
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in the prior Report B49022, entitled *INTERNAL CONTROLS OVER FINANCIAL REPORTING*.

Condition and Context

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

Cash and Investments

There was no evidence of an oversight, review, or approval process of the bank reconciliations by someone other than the person who prepared them.

Receipts

There was no evidence of an oversight, review, or approval process of the daily deposits or receipt postings by someone other than the person who prepared them.

Financial Close and Reporting

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. There was a lack of segregation of duties, as the Clerk-Treasurer independently input the financial information into Gateway without oversight, review, or approval.

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. . . ."



TOWN OF WALTON

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P.O. Box 322
Walton, IN 46994
(574) 626-2941

May 26, 2020

State Board of Accounts Audit 2017, 2018 & 2019

RE: Form 4

The Town of Walton OFFICIAL RESPONSE for Internal Control is as follows:

The Clerk-Treasurer's office is a 2-person office, which makes it difficult for Internal Controls. In the future the Utility Clerk will check the monthly Financials for any possible errors that may be carried over from month to month.

The Walton Town Council will continue to sign off on the monthly and annual Claims Register.

Sincerely,


Kim L. Craig, Clerk-Treasurer

CLERK-TREASURER
TOWN OF WALTON
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2020, with Kim L. Craig, Clerk-Treasurer; Mike Robison, President of the Town Council; and Kelly Butz, Utility Clerk.

TOWN COUNCIL
TOWN OF WALTON

TOWN COUNCIL
TOWN OF WALTON
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Training on internal control standards and procedures had not been provided to any Town personnel.

Criteria

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF WALTON
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2020, with Kim L. Craig, Clerk-Treasurer; Mike Robison, President of the Town Council; and Kelly Butz, Utility Clerk.