

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GALVESTON

CASS COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
09/25/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report.....	6-7
Internal Controls.....	7-8
Motor Vehicle Highway (MVH) - Restricted Fund	8
Exit Conference	9
Town Council:	
Audit Result and Comment:	
Fees	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Heather Gilvin Barry Bellan	01-01-21 to 08-14-22 08-15-22 to 12-31-23
President of the Town Council	Wesley Hull	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the Town of Galveston (Town), for the period from January 1, 2021 to December 31, 2022. 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 the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

September 20, 2023

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CLERK-TREASURER
TOWN OF GALVESTON

CLERK-TREASURER
TOWN OF GALVESTON
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment appeared in prior Report B58111, entitled *INTERNAL CONTROLS*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

1. The General Fund beginning cash and investments balance and disbursements were each overstated by \$391,390 due to including bank to bank transfer activity for the year ended December 31, 2021.
2. The Water Utility Operating fund beginning cash and investments balance was understated and receipts were overstated by \$237,769 due to including bank to bank transfer activity for the year ended December 31, 2021.
3. The Wastewater Utility Operating fund beginning cash and investments balance was understated and receipts were overstated by \$153,621 due to including bank to bank transfer activity for the year ended December 31, 2021.
4. The Water Ban Construction Account fund receipts and disbursements were each understated by \$336,375 due to not including the State Revolving Fund activity for the year ended December 31, 2021.
5. The Water Ban Construction Account fund receipts and disbursements were each understated by \$4,028,125 due to not including the State Revolving Fund activity for the year ended December 31, 2022.

Adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the Town.

Capital Assets

1. The Governmental Activities capital assets were overstated by \$312,747.
2. The Wastewater capital assets were understated by \$2,147,259.
3. The Water capital assets were overstated by \$5,010,725.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the Town.

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

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 audited entity 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](#)."

INTERNAL CONTROLS

A similar comment appeared in prior Report B53779, entitled *INTERNAL CONTROL OVER FINANCIAL REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting and receipts. The Town had not designed or implemented a system of effective internal controls over financial transactions and reporting and receipts.

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 Annual Financial Report (AFR) and the financial statement. The Clerk-Treasurer prepared and submitted the AFR in Gateway without a review or approval process.

Receipts

The Town had not established effective internal controls over receipts. One employee entered the receipts into the records without a review or approval process.

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

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:

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MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment appeared in the prior Report B58111, entitled *MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED*.

Condition and Context

The Town had not recorded 50 percent of the State Motor Vehicle Highway Account distribution to the Motor Vehicle Highway Restricted fund as required by State Examiner Directive 2018-2. The August through December 2022 State Motor Vehicle Highway Account distributions received by the Town were recorded 100 percent to the Motor Vehicle Highway fund.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH.

(State Examiner Directive 2018-2)

CLERK-TREASURER
TOWN OF GALVESTON
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2023, with Barry Bellan, Clerk-Treasurer; Heather Gilvin, former Clerk-Treasurer; Cindy Leduc, Town Council member; and Wesley Hull, President of the Town Council.

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TOWN COUNCIL
TOWN OF GALVESTON

TOWN COUNCIL
TOWN OF GALVESTON
AUDIT RESULT AND COMMENT

FEES

Condition and Context

The Town charged a building permit fee and a community building rental fee. The Town was unable to provide adopted resolutions or ordinances authorizing the collection of a building permit fee or a community building rental fee.

Criteria

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF GALVESTON
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2023, with Barry Bellan, Clerk-Treasurer; Heather Gilvin, former Clerk-Treasurer; Cindy Leduc, Town Council member; and Wesley Hull, President of the Town Council.