

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF LOSANTVILLE

RANDOLPH COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**

12/19/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carol Weaver	01-01-19 to 12-31-23
President of the Town Council	Thomas Fisher Brian Hill	01-01-19 to 12-31-20 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 LOSANTVILLE, RANDOLPH COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Losantville (Town), for the period from January 1, 2019 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 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/](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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 6, 2023

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CLERK-TREASURER  
TOWN OF LOSANTVILLE

CLERK-TREASURER  
TOWN OF LOSANTVILLE  
AUDIT RESULTS AND COMMENTS

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The Town did not comply with the State Examiner Directive 2018-1 and failed to upload a portion of the required monthly and annual files on the Indiana Gateway for Government Units financial reporting system. The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

1. All of the required monthly files were uploaded late, were incorrect, or were incomplete during 2019, 2020, and 2021.
2. Eleven months of the required monthly files were uploaded late, were incorrect, or were incomplete during 2022.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report. None of the required annual files were uploaded for 2019, 2020, 2021, and 2022.

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CAPITAL ASSETS**

The same comment also appeared in prior Reports B37773, B41316, B47645, and B54543.

*Condition and Context*

The Town did not have a capital assets policy that detailed the threshold at which an item is considered a capital asset. In addition, the Town did not complete a physical inventory at least once every two years and did not have a complete listing of all capital assets reflecting their acquisition value.

CLERK-TREASURER  
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AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The Town did not create the Motor Vehicle Highway Restricted Fund with appropriate fund numbers and titles until 2021. Due to this, the Town failed to show the Motor Vehicle Highway Restricted Fund separately on the Annual Financial Reports for 2019 and 2020. In addition, the Town failed to post at least 50 percent of the Motor Vehicle Highway distributions to the Motor Vehicle Highway Restricted Fund during 2019 and 2020.

*Criteria*

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and prevention purposes.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted . . .

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. . . .

CLERK-TREASURER  
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(Continued)

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted: . . .

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.) . . .

(State Examiner Directive 2018-2)

**INTERNAL CONTROLS**

*Condition and Context*

The Town did not have an adequate system of internal controls over cash and investments, receipts, and financial close and reporting.

*Cash and Investments*

There was a lack of documented internal controls over cash and investments. Monthly bank reconciliements were to be prepared by the Clerk-Treasurer and reviewed by the President of the Town Council; however, no documented evidence of this review was found for 2019 and 2020.

During 2021 and 2022, the internal controls over monthly bank reconciliements were in place and being properly implemented.

*Receipts*

The Town had not designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to receipts.

Recording of receipts and making bank deposits were performed by the same individual without a documented oversight or review process in place. No documentation was presented indicating that the receipt postings were reviewed by another individual.

*Financial Close and Reporting*

The Clerk-Treasurer completed and submitted the Town's Annual Financial Reports without a documented oversight, review, or approval process in place to ensure their accuracy.

*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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"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. . . ."

## **ANNUAL FINANCIAL REPORT - FINANCIAL AND OTHER INFORMATION**

### *Condition and Context*

Financial 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 Statements and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Combining Schedules)*

1. The LOIT fund beginning and ending cash and investments balances were overstated by \$600 for 2019.
2. The General fund receipts and ending cash and investments balance were overstated by \$1,700 for 2020.
3. The EDIT fund receipts and ending cash and investments balance were understated by \$46 for 2020.
4. The Riverboat fund receipts and ending cash and investments balance were understated by \$439 for 2020.
5. The Public Safety Fund receipts and ending cash and investments balance were overstated by \$820 for 2020.
6. The OCRA Grant fund receipts and disbursements were understated by \$27,000 for 2020.
7. The Planning Grant fund receipts, disbursements, and ending cash and investments balance were understated by \$5,000, \$3,300, and \$1,700, respectively, for 2020.

Adjustments were proposed, accepted by the Town, and made to the financial statements and combining schedules presented in the Financial Statements Audit Report of the Town.

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(Continued)

*Grants*

Coronavirus State and Local Fiscal Recovery Fund grant program receipts were omitted for 2021 and 2022.

*Capital Assets*

The Town did not provide sufficient documentation to support the capital asset information entered into Gateway.

*Criteria*

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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF LOSANTVILLE  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2023, with Carol Weaver, Clerk-Treasurer, and Pam Green, Town Council member.