

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF BROOKSBURG

JEFFERSON COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

07/31/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Pamela Sue Foster	01-01-19 to 12-31-24
President of the Town Council	Sharon Stevens	01-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BROOKSBURG, JEFFERSON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Brooksburg (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Pamela Sue Foster, Clerk-Treasurer; Sharon Stevens, President of the Town Council; and April Mahoney, Town Council member, on July 24, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

June 26, 2024

TOWN OF BROOKSBURG
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over the following areas:

- Monthly and Annual Uploads
- Adoption of, and Training and Certification on, Internal Control Standards
- Annual Financial Report
- Capital Assets
- Board Minutes Missing

Noncompliance is detailed further in the comments below.

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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Town was required to upload into the Indiana Gateway for Government Units (Gateway) financial reporting system monthly and annual files and governmental unit information. The files and governmental unit information that are required to be uploaded monthly include the bank reconciliations, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund. 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.

The Town did not comply with the State Examiner Directive and failed to upload any of the monthly and annual files on Gateway for 2019, 2020, 2021, 2022, and 2023.

TOWN OF BROOKSBURG
COMMENTS
(Continued)

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)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

ADOPTION OF, AND TRAINING AND CERTIFICATION ON, INTERNAL CONTROL STANDARDS

Similar comments appeared in the prior Report B53860, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS* and *TRAINING ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The Town had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts. The Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

The Town certified on the Indiana Gateway for Government Units financial reporting system for the years 2021, 2022, and 2023 that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e) and that Town employees that were required to receive the training had completed that training; however, during the engagement, the Clerk-Treasurer did not provide documentation that the Town had adopted the minimum internal control standards or that Town employees received the required training.

Criteria

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

"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 OF BROOKSBURG
COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

For the years 2019, 2020, 2021, 2022, and 2023, the Town did not maintain a Motor Vehicle Highway (MVH) - Restricted Fund on the funds ledger. As a result, the Town had not distributed at least 50 percent of the MVH funds into the MVH Restricted Fund as required.

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), 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 preservation purposes. . . .

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.

(State Examiner Directive 2018-2)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information is required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system.

The AFRs contained the following errors:

- For the years 2019, 2020, 2021, 2022, and 2023, the Town reported total capital assets in the amount of \$1,087,691. No detailed capital asset list was provided to support the amounts reported.

TOWN OF BROOKSBURG
COMMENTS
(Continued)

- The Town did not report debt in the Gateway for 2019 and 2020. For 2019, the ending principal balance and principal due within one year was not reported in the amounts of \$8,126 and \$4,005, respectively. For 2020, the ending principal balance and principal due within one year was not reported in the amounts of \$4,121 and \$4,121, respectively.

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 as set forth in the uniform compliance guidelines. 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](#)."

CAPITAL ASSETS

Condition and Context

The Town had not adopted a capital assets policy that details the threshold at which an item is considered a capital asset. In addition, the Town had not properly maintained a complete detailed listing of capital assets owned or conducted a physical inventory at least every two years.

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)

BOARD MINUTES MISSING

Condition and Context

The Town Council should meet regularly, and the approved minutes should be kept in a permanent record book. Of the 60 months in the engagement period, no meeting minutes documenting Town Council meetings were presented for 43 months.

Criteria

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following: . . .

- (9) Serve as clerk of the legislative body by attending meetings and recording its proceedings. . . ."

TOWN OF BROOKSBURG
COMMENTS
(Continued)

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF BROOKSBURG
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General	\$ 7,815	\$ 4,883	\$ 11,580	\$ 1,118	\$ 15,495	\$ 10,643	\$ 5,970
Motor Vehicle Highway	14,524	3,486	-	18,010	3,075	4,920	16,165
Local Road And Street	5,610	1,054	-	6,664	1,011	-	7,675
Riverboat	-	480	480	-	480	480	-
Local Income Tax	12,026	5,871	-	17,897	7,251	7,000	18,148
Town of Brooksburg Wastewater	30,770	42,234	38,209	34,795	42,369	44,071	33,093
Wastewater Debt Service	4,671	3	-	4,674	5	-	4,679
Totals	<u>\$ 75,416</u>	<u>\$ 58,011</u>	<u>\$ 50,269</u>	<u>\$ 83,158</u>	<u>\$ 69,686</u>	<u>\$ 67,114</u>	<u>\$ 85,730</u>

TOWN OF BROOKSBURG
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General	\$ 5,970	\$ 9,348	\$ 10,233	\$ 5,085	\$ 15,274	\$ 16,704	\$ 3,655
Motor Vehicle Highway	16,165	3,398	5,720	13,843	3,182	1,975	15,050
Local Road And Street	7,675	1,099	-	8,774	1,108	-	9,882
Riverboat	-	479	479	-	405	405	-
Local Income Tax	18,148	7,363	-	25,511	8,404	10,000	23,915
Town of Brooksburg Wastewater	33,093	43,167	38,486	37,774	43,128	44,164	36,738
Wastewater Debt Service	4,679	2	-	4,681	1	-	4,682
Totals	<u>\$ 85,730</u>	<u>\$ 64,856</u>	<u>\$ 54,918</u>	<u>\$ 95,668</u>	<u>\$ 71,502</u>	<u>\$ 73,248</u>	<u>\$ 93,922</u>

TOWN OF BROOKSBURG
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 3,655	\$ 15,752	\$ 9,556	\$ 9,851
Motor Vehicle Highway	15,050	3,101	2,326	15,825
Local Road And Street	9,882	1,125	-	11,007
Riverboat	-	405	405	-
Local Income Tax	23,915	6,788	-	30,703
Town of Brooksburg Wastewater	36,738	41,576	39,419	38,895
Wastewater Debt Service	4,682	2	-	4,684
Totals	<u>\$ 93,922</u>	<u>\$ 68,749</u>	<u>\$ 51,706</u>	<u>\$ 110,965</u>