

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GOSPORT

OWEN COUNTY, INDIANA

January 1, 2020 to December 31, 2022



FILED

02/28/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Adjustments - Bad Debts and Uncollectible Accounts	6
Ordinances and Resolutions	6
Certifications on Internal Control Standards	6
Capital Assets	7
Internal Controls	7
Errors on Claims	8
Exit Conference	9
Town Council:	
Audit Results and Comments:	
Adjustments - Bad Debts and Uncollectible Accounts	12
Training on Internal Control Standards	12
Errors on Claims	13
Exit Conference	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donald L. Hall	01-01-20 to 12-31-24
President of the Town Council	Brenda King	01-01-20 to 12-31-21
	Gerald Lunsford	01-01-22 to 12-31-23
	Marian McGee	01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF GOSPORT, OWEN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Gosport (Town), for the period from January 1, 2020 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/.

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

February 13, 2024

(This page intentionally left blank.)

CLERK-TREASURER
TOWN OF GOSPORT

CLERK-TREASURER
TOWN OF GOSPORT
AUDIT RESULTS AND COMMENTS

ADJUSTMENTS - BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Condition and Context

The Town did not have a written policy for adjusting utility customer accounts receivable balances. During the audit period, there were \$14,752 of adjustments to reduce utility customer account balances. Of those adjustments, \$4,971 had a description of "onetime adjustment" and were approved by the Town Council as documented in the Town Council minutes. The remaining \$9,781 had descriptions stating bad meter readings, billing errors, water turned off, pool fillings, or other various technical issues.

Criteria

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

Condition and Context

In a sample of 60 utility bills tested, 3 bills included an adjustment that had not been approved by the Town Council, and 11 were paid after the date due without the late penalty being assessed, as required by the Rate Ordinance.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer certified on the Annual Financial Report that he had received training on internal control standards while no proof of such training could be provided.

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](#)."

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

CAPITAL ASSETS

A similar comment also appeared in the prior Report B54970, entitled *CAPITAL ASSETS*.

Condition and Context

The Town had not adopted a capital assets policy. In addition, the Town had not maintained a record of its capital assets.

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)

INTERNAL CONTROLS

A similar comment also appeared in the prior Report B54970, entitled *INTERNAL CONTROLS*.

Condition and Context

The Clerk-Treasurer performed all accounting functions over receipts, disbursements, and financial close and reporting without any internal controls such as a review or oversight by another individual.

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. . . ."

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

ERRORS ON CLAIMS

A similar comment also appeared in the prior Report B54970, entitled *ERRORS ON CLAIMS*.

Condition and Context

Of the 81 claims tested, 3 were not located for audit. The disbursements made for these 3 claims totaled \$912.

Additionally, none of the claims tested had been approved by the Clerk-Treasurer or the Town Council.

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER
TOWN OF GOSPORT
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2024, with Donald L. Hall, Clerk-Treasurer, and Ernie Arnold, Vice President of the Town Council.

(This page intentionally left blank.)

TOWN COUNCIL
TOWN OF GOSPORT

TOWN COUNCIL
TOWN OF GOSPORT
AUDIT RESULTS AND COMMENTS

ADJUSTMENTS - BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Condition and Context

The Town did not have a written policy for adjusting and approving utility customer accounts receivable balances. During the audit period, there were \$4,971 of adjustments that were approved by the Town Council as documented in the council minutes.

Criteria

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer did not receive training on internal control standards.

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: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF GOSPORT
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

A similar comment also appeared in the prior Report B54970, entitled *ERRORS ON CLAIMS*.

Condition and Context

Of the 81 claims tested, 3 were not located for audit. The disbursements made for these 3 claims totaled \$912.

Additionally, none of the 81 claims tested had been approved by the Clerk-Treasurer or Town Council.

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

TOWN COUNCIL
TOWN OF GOSPORT
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2024, with Donald L. Hall, Clerk-Treasurer, and Ernie Arnold, Vice President of the Town Council.