

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, 2015 to December 31, 2018



FILED
11/19/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Control over Financial Reporting	6
Exit Conference	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mitsey Goodman Rose Jackson	01-01-15 to 09-11-15 09-12-15 to 12-31-19
President of the Town Council	Pat Gunnell John Hart	01-01-15 to 12-31-15 01-01-16 to 12-31-19
Superintendent of Utilities	John Robertson	01-01-15 to 12-31-19



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 GALVESTON, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Galveston (Town), for the period from January 1, 2015 to December 31, 2018. 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 opinion 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 Result and Comment 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 21, 2019

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CLERK-TREASURER
TOWN OF GALVESTON

CLERK-TREASURER
TOWN OF GALVESTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition and Context

The Town had not established an adequate internal control structure, including no segregation of duties, related to its financial reporting process. The Town had not separated incompatible activities, as the Clerk-Treasurer independently entered the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. An oversight, review, or approval process had not been established. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected.

Effective internal control over financial reporting required the Town to monitor and assess the quality of the Town's system of internal control. The Town had not performed either an ongoing or separate evaluation of its system of internal controls. The failure to exercise their oversight responsibility placed the Town at risk that controls may not have been designed or operating effectively to provide reasonable assurance that controls would have prevented or detected material misstatements in a timely manner. Additionally, the Town had no process to identify or communicate corrective actions to improve controls.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

CLERK-TREASURER
TOWN OF GALVESTON
EXIT CONFERENCE

The contents of this report were discussed on October 21, 2019, with Rose Jackson, Clerk-Treasurer; John Hart, President of the Town Council; James Jackson, Town Council member; and John Zook, Town Council member.