

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

COMPLIANCE REPORT
OF
TOWN OF GASTON
DELAWARE COUNTY, INDIANA
January 1, 2016 to December 31, 2018



FILED
04/23/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa Smith Traci Pittenger	01-01-16 to 08-11-16 08-12-16 to 12-31-23
President of the Town Council	Jay Beeson Tanya Hiatt Katina Gleeson	01-01-16 to 12-31-16 01-01-17 to 05-01-19 05-02-19 to 12-31-20



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 GASTON, DELAWARE 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 Gaston (Town), Delaware County, for the period of January 1, 2016 to December 31, 2018, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance 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.

The Schedule of Cash and Investment Balances, as listed in the Table of Contents, is presented as other information. It has not been subjected to any auditing procedures and, accordingly, we do not express an opinion or provide any assurance on it.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 13, 2020

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>. The schedule presented herein is presented as other information and is derived from the Town's Annual Financial Reports information and has not been subjected to any audit procedures. No adjustments have been made to the information as reported in Gateway and, as such, balances may differ.

TOWN OF GASTON
SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 12-31-18
GENERAL FUND	\$ 67,850
MOTOR VEHICLE HIGHWAY	129,329
LOCAL ROAD & STREET	48,954
LOCAL LAW ENF CONT ED	702
RAINY DAY FUND	3,940
CUM CAP IMP - CIG TAX	20,337
EDIT SEWER UPGRADES	(61,449)
RIVERBOAT FUND	29,148
LIT-PUBLIC SAFETY	1,820
CLERKS ADJUSTMENT	-
PETTY CASH	50
PARK DONATION	539
EDIT /WATER UPGRADES	24,000
PAYROLL-NET PAY	-
PAYROLL FEDERAL WITHHOL	-
PAYROLL FICA WITHHO	-
PAYROLL MEDICARE WITHHO	-
PAYROLL STATE WITHHOLDI	-
PAYROLL COUNTY ADJ. GRO	-
PAYROLL INS 1.00 WITHHOLD	-
PAYROLL SUPPORT	-
PAYROLL	3,816
CASH ON HAND	50
LIGHT POLES -	-
SEWAGE UTILITY OPERATING	163,270
SEWAGE UTL DEPRECIATION	9,193
NSF	218
SEWER GRANT/ LOAN USDA 19	50
WATER UTILITY OPERATING	135,011
WATER UTL DEPRECIATION	10,244
WATER UTL METER DEPOSIT	<u>24,589</u>
Total	<u>\$ 611,661</u>

TOWN OF GASTON
RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Adequate internal controls were not in place to ensure that the financial records were accurate. Numerous posting errors and adjustments were recorded during the period and not identified and corrected properly.

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. . . ."

OVERDRAWN CASH BALANCES

Condition and Context

This is a repeat of a comment in prior Report B47049, entitled *OVERDRAWN CASH BALANCES*.

Financial information reported by the Town in the Indiana Gateway for Government Units reporting portal included overdrawn cash balances at December 31, 2016, 2017, and 2018:

TOWN OF GASTON
RESULTS AND COMMENTS
(Continued)

Fund	Amount Overdrawn		
	2016	2017	2018
EDIT Sewer Upgrades	\$ -	\$ -	\$ 61,449
Clerks Adjustment	79,006	39,126	-
Payroll - Net Pay	-	1,948	-
Payroll Federal Withholding	-	4,317	-
Payroll Medicare Withholding	-	2,754	-
Payroll State Withholding	-	1,107	-
Payroll County Adj Gro	222	119	-
Payroll Ins 1.00 Withholding	-	4,254	-
Payroll Support	-	2,464	-

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS - CLERK'S ADJUSTMENT FUND

Condition and Context

The financial statements included a fund referred to as the Clerk's Adjustment fund. This fund was added to the financial records in 2016, and a disbursement was recorded to the fund in the amount of \$79,006 to force the financial records to reconcile to the bank accounts. This resulted in a negative cash balance in this fund at December 31, 2016. During 2017, adjustments were recorded as receipts of \$49,315 and disbursements of \$9,435 without adequate supporting documentation to identify what the adjustments were for which left the fund with a negative cash balance of \$39,126 at December 31, 2017. During 2018, transfers into this fund were recorded totaling \$39,126 to zero out the fund. The transfers came from the Town Operating, Water Operating, and Wastewater Operating funds equally. All of the receipt and disbursement entries noted above were at the direction of a consultant that was hired to balance their books. The adjustments for 2017 indicated that they were for payroll posting errors, but no documentation was provided to support the amount. Per an email from the consultant, the remaining balance adjusted in 2018 could not be identified.

Since the transactions noted above could not be verified, the effect on the ending cash balances for December 31, 2016, 2017, and 2018 would result in cash necessary to balance of \$79,006, \$39,126, and \$39,126, respectively.

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF GASTON
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank reconciliations for December 31, 2017 and 2018, included reconciling items in the amount of \$22,831 and \$19,801. No supporting documentation was provided for these reconciling items. This would result in cash long for both years.

Additionally, the December 31, 2016 and 2017, financial records included a negative cash balance in the Clerk's Adjustment fund to make the records balance to the bank. Supporting documentation for the Clerk's Adjustment fund transactions was not provided. This would result in cash short for both years.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

STALE DATED OUTSTANDING CHECKS (WARRANTS)

Condition and Context

The Town had stale dated outstanding checks over two years old as of December 31, 2016, 2017, and 2018, totaling \$1,686, \$1,828, and \$6,355, respectively.

Criteria

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

TOWN OF GASTON
RESULTS AND COMMENTS
(Continued)

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

ADOPTION, TRAINING, AND CERTIFICATION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town had not adopted the acceptable minimum level of internal control standards as defined by the State Board of Accounts. There was no documentation that the Town personnel received the training on internal control standards. The Town was not able to provide any documentation to verify that they correctly certified on the Annual Financial Report that the adoption of and training on internal control standards were completed by the required personnel.

Criteria

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

"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."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

TOWN OF GASTON
RESULTS AND COMMENTS
(Continued)

TOWN COUNCIL MINUTES

Condition and Context

The Town of Gaston did not have minutes from the meeting held on October 2, 2017. The meeting was only attended by two Town Council members due to a meeting cancelation misunderstanding and neither attendee provided minutes to the Town for documentation.

During review of the Town Council minutes, there were three instances where the actions of the Town Council were unclear. Two of the instances involved transfers that documented the destination of the transfer but not the origin of the funds. The other instance involved the sale of property owned by the Town to a bid below the highest bid without adequate documentation to the reasoning behind the decision.

Criteria

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."

TOWN OF GASTON

OFFICE OF CLERK TREASURER
107 N. SYCAMORE P.O. BOX 186
GASTON, INDIANA 47342

To: State Board of Accounts Town of Gaston official response:

Internal Controls

1. The Town of Gaston has been working with our Legal Council to adopt a current ordinance on site for review.

Conditions of Records and Bank Reconciliation

2. The Clerk-Treasurer has worked with the SBOA field auditors and Stephanie Heath Indiana State Board of Accounts after issuance of their report, the Clerk- Treasurer has supporting documentation with her payroll accounts. The issues have been resolved and the Clerk-Treasurer has been balanced monthly beginning January 1, 2018 in the Finanacial Accounting System. Documentation is on site for review.

Stale Date Outstanding Checks (Warrants)

3. Clerk-Treasuer will be working in the Financial Accounting System to receipt the appropriate information and report them back to town funds on which disbursed.

Town Council Minutes

4. On September 6, 2017 you will see in the minutes where a discussion took place to schedule a public Budget hearing on October 2, 2017. In the documents you will find no official meeting was scheduled with or without proper notification. You will find improper notification for October 4th and October 5th which no budget public hearing or adoption occurred. The documents will provide that the Town of Gastons 2018 Budget hearing and adoption was scheduled and held properly on October 20, 2017 and October 30, 2017. Therefore the reason no minutes were produced during your review is merely no official business was held on October 2, 2017 on behalf of the Town of Gaston. Documentation on site for review.



TOWN OF GASTON
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2020, with Traci Pittenger, Clerk-Treasurer; Katina Gleeson, President of the Town Council; and Brett Ellison, Town Council member.