

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROWNSTOWN

JACKSON COUNTY, INDIANA

January 1, 2018 to December 31, 2021



**FILED**  
06/22/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	W. David Willey	01-01-18 to 12-31-22
President of the Town Council	Sally Lawson Gregory Goshorn	01-01-18 to 09-30-19 10-01-19 to 12-31-22
Superintendent of Wastewater Utility	Scott Hunsucker	01-01-18 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BROWNSTOWN, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Brownstown (Town), for the period from January 1, 2018 to December 31, 2021. 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 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

May 26, 2022

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CLERK-TREASURER  
TOWN OF BROWNSTOWN

CLERK-TREASURER  
TOWN OF BROWNSTOWN  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

A similar comment also appeared in prior Report B53822, entitled *INTERNAL CONTROLS*.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and financial close and reporting.

*Financial Close and Reporting*

There were deficiencies in the internal control system of the Town related to financial close and reporting and the input of financial information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source for the Annual Financial Report and the financial statements. Financial information was prepared and submitted into Gateway without an effective oversight, review, approval, or other compensating internal control to ensure the accuracy of the information prior to submission. As a result, immaterial errors were noted.

*Cash and Investments*

The Town did not have an effective internal control in place over the completion of its monthly bank reconciliations. Although there was a documented oversight in place, it was not effective in detecting or correcting errors within the monthly bank reconciliations.

Variances between the monthly bank reconciliation with the ledger were not being investigated. As a result, the monthly bank reconciliations as of December 31, 2018 and 2021, showed \$14,701 and \$11,764 more in the bank than in the ledger, respectively, while the monthly reconciliation as of December 31, 2020, showed \$12,244 less in the bank than in the ledger.

*Receipts*

There was not an effective internal control in place over Wastewater Utility receipts. Procedures were not in place to ensure receipts were properly prepared and recorded timely for daily customer utility collections.

Throughout the audit period, receipts were not issued for the daily customer utility collections. The daily collection amounts were entered by journal entry into the Town's accounting software ledger without a receipt being prepared. Additionally, a review of the daily collections indicated that posting of the daily customer utility collections was not always done timely. During the period February 2019 through June 2019, collections were posted monthly instead of daily to the accounting software ledger.

*Disbursements*

There was not an effective internal control in place over disbursements. Procedures were not in place to ensure all claims were presented to the Town Council for review and approval. Throughout the audit period, claims paid prior to the Town Council meetings were not included on the claims docket and were not reviewed or approved by the Town Council. These claims included debt payments, payroll benefit payments, utility bill payments, and some transfers between funds.

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

*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. . . ."

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](#)."

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."

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)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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:

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

- (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. . . ."

**DISBURSEMENTS FROM MVH RESTRICTED FUND**

*Condition and Context*

The Town allocated at least 50 percent of the State Motor Vehicle Highway distributions to the MVH Restricted fund. Of the ten MVH Restricted fund disbursements selected for compliance testing, two of the disbursements consisted of a purchase of a truck used by multiple town departments and for snow removal equipment. These disbursements were determined not to be used exclusively for construction, reconstruction, and preservation of the Town's highways.

*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."

**CAPITAL ASSETS**

A similar comment appeared in a Management Letter address to the Officials of the Town of Brownstown for the period ending December 31, 2017.

*Condition and Context*

The Town had not adopted a capital assets policy that details the threshold at which an item should be considered a capital asset. Additionally, the Town had not maintained a complete detailed listing of all its capital assets, or completed 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)

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

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The Clerk-Treasurer's certification on internal control standards made on Indiana Gateway for Government Units financial reporting system was not made correctly for 2018, 2019, 2020, and 2021. The certification asserted that training on internal control standards was received by all applicable personnel; however, it was determined that applicable seasonal parks department personnel had not received this training.

*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 BROWNSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2022, with W. David Willey, Clerk-Treasurer; Cathy Roberts, Assistant Clerk-Treasurer; Gregory Goshorn, President of the Town Council; Tim Robinson, Town Council member; and Crystal Stuckwisch, Town Council member.

TOWN COUNCIL  
TOWN OF BROWNSTOWN

TOWN COUNCIL  
TOWN OF BROWNSTOWN  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The Town Council failed to ensure that all personnel received the training over the internal control standards adopted as required by statute. Documentation was not presented to show that the Park's Department seasonal employees received the internal control standards 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: . . .

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

TOWN COUNCIL  
TOWN OF BROWNSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2022, with W. David Willey, Clerk-Treasurer; Cathy Roberts, Assistant Clerk-Treasurer; Gregory Goshorn, President of the Town Council; Tim Robinson, Town Council member; and Crystal Stuckwisch, Town Council member.