

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GASTON

DELAWARE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
11/09/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Customer Deposit Register	6
Motor Vehicle Highway (MVH) - Restricted Fund	6-7
Annual Financial Report	7
Internal Controls over Financial Close and Reporting	7-8
Exit Conference	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Traci Pittenger	01-01-21 to 12-31-22
President of the Town Council	Brett Ellison	01-01-21 to 12-31-21
	Katina Gleeson	01-01-22 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF GASTON, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Gaston (Town), for the period from January 1, 2021 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

October 17, 2022

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CLERK-TREASURER
TOWN OF GASTON

CLERK-TREASURER
TOWN OF GASTON
AUDIT RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Report B55772.

Condition and Context

The detailed customer deposit register balance did not reconcile with the customer deposit amount recorded on the general ledger and reported in the Annual Financial Report. As of December 31, 2021, the detailed customer deposit register had a balance of \$27,744, and the WATER UTL METER DEPOSIT fund cash balance reported in the Annual Financial Report as of December 31, 2021, was \$24,834, a difference of \$2,910.

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

A similar comment also appeared in prior Report B55772, entitled *MVH RESTRICTED FUND NOT ESTABLISHED*.

Condition and Context

The Annual Financial Report (AFR) did not properly present the Motor Vehicle Highway Restricted fund separately from the Motor Vehicle Highway fund (MVH). The Town did not allocate 50 percent of the State MVH distributions into the MVH Restricted fund during 2021. The Town also designated Fund 200 for the MVH Restricted fund instead of Fund 203.

Criteria

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.

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

...

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

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

Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

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)

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."

ANNUAL FINANCIAL REPORT

Condition and Context

The Town did not accurately report its capital assets, leases and debt, or accounts payable/receivable in the Indiana Gateway for Government Units financial reporting system, which was the source of its 2021 Annual Financial Report.

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](#)."

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. The Clerk-Treasurer uploaded the required information without a documented oversight or review process in place.

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:

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

"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 GASTON
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2022, with Traci Pittenger, Clerk-Treasurer; Katina Gleeson, President of the Town Council; and Brett Ellison, Town Council member.