

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BROOKSTON

WHITE COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

04/13/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Regina Berryman	01-01-18 to 12-31-23
President of the Town Council	Joseph Butz	01-01-18 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Brookston (Town), for the period from January 1, 2018 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 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/.

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

April 10, 2023

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CLERK-TREASURER
TOWN OF BROOKSTON

CLERK-TREASURER
TOWN OF BROOKSTON
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Town did not properly maintain its capital asset listing. The Town's detailed listing of capital assets was not updated and maintained accurately during the audit period. During testing, there were two capital assets acquired that were not properly added to the listing.

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 appeared in prior Report B50525, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions. The Town had not designed or implemented a system of effective internal controls related to cash and investments, and vendor disbursements.

Cash and Investments

The Town had not established effective internal controls over cash and investments. One employee prepared the bank reconciliements without an oversight or review process to ensure accuracy and timely completion.

Vendor Disbursements

The Town had not established effective internal controls over vendor disbursements. One employee recorded vendor disbursements without an oversight or review process to ensure that disbursements were recorded accurately and paid from the appropriate funds.

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 BROOKSTON
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. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The Town failed to establish the MVH Restricted sub-fund as directed by the State Examiner for 2019, 2020, and 2021; therefore, proper reporting of a MVH Restricted fund on the Annual Financial Report (AFR) and proper allocation of at least fifty percent of the distributions from the Motor Vehicle Highway (MVH) fund at the time of receipt did not occur. The Town created an MVH Restricted sub-fund and properly reported the fund on the AFR in 2022 but failed to allocate at least 50 percent of the distributions from the MVH fund.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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.

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

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)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The accounts payable and receivable, and the capital asset information entered into Gateway contained the following errors:

Schedule of Payables and Receivables

The payables and receivables amounts were entered as total disbursements and total receipts for the year. The Town requested the Schedule of Payables and Receivables not be included in the Financial Statements Audit Report due to it not being properly maintained for the audit period.

Schedule of Capital Assets

At December 31, 2022, infrastructure for government activities was understated by a material amount of \$3,439,219. An adjustment was proposed, accepted by the Town, and made to the Schedule of Capital Assets presented as Other Information.

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 BROOKSTON
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2023, with Regina Berryman, Clerk-Treasurer; Terry North, Vice President of the Town Council; and Joseph Butz, President of the Town Council.