

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FRANCESVILLE

PULASKI COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/14/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy Elston	01-01-19 to 12-31-23
President of the Town Council	Lynn Johns Tom Thomas	01-01-19 to 12-31-21 01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FRANCESVILLE, PULASKI COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Francesville (Town), for the period from January 1, 2019 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 the 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

December 6, 2023

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CLERK-TREASURER
TOWN OF FRANCESVILLE

CLERK-TREASURER
TOWN OF FRANCESVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B53894.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions. The Town had not separated incompatible activities related to receipts.

The Clerk-Treasurer was solely responsible for the receipting process. An oversight or review process was not consistently implemented and documented which ensured the completeness and accuracy of the receipts. The failure to establish these internal controls could enable material misstatements to occur and remain undetected.

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. . . ."

PUBLIC WORKS PROJECTS

Condition and Context

The Town completed two paving projects for \$160,073 and \$155,691 in 2019 and 2020, respectively. The Town did not comply with any of the bidding procedures required by Indiana Code 36-1-12 when the cost of a public work project is \$150,000 or greater. The Town Council minutes did not document any special process or emergency decision that would have excluded the paving projects from the bidding requirements.

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

Criteria

Indiana Code 36-1-12-2 states:

"(a) As used in this chapter, 'public work' means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase.

(b) The term does not include work involved in an extension or installation of utility infrastructure described in section 1(g) of this chapter."

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(5\)](#) by the office of technology.
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
 - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
 - (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).

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TOWN OF FRANCESVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
- (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
- (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection. . . ."

ADVANCE PAYMENTS

Condition and Context

The Town paid employees in advance of hours worked. Employees were paid prior to the end of the day on the last day of the pay period. For 10 of the 12 payroll checks tested, payroll was processed two to four days before the end of the pay period.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CORONAVIRUS RELIEF FUND

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund in accordance with State Examiner Directive 2020-3 (Directive).

The Town made a transfer in November 2020 from its CARE Relief grant fund to the General fund as outlined in the Directive for payroll expenses; however, the transfer was made without the adoption of an ordinance or resolution.

The Town adopted a resolution on June 21, 2021.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . .

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

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(Continued)

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

(State Examiner Directive 2020-3)

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)

CLERK-TREASURER
TOWN OF FRANCESVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2023, with Cathy Elston, Clerk-Treasurer, and Tom Thomas, President of the Town Council.