

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FILLMORE

PUTNAM COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**  
12/12/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayna Haldeman	01-01-19 to 03-03-22
	(Vacant)	03-04-22 to 03-21-22
	Bill Miles	03-22-22 to 10-26-22
	(Vacant)	10-27-22 to 11-30-22
	Andi Schardt	12-01-22 to 12-31-23
President of the Town Council	Bill Ashcraft	01-01-19 to 12-31-19
	Meredith Trusty	01-01-20 to 12-31-23



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF FILLMORE, PUTNAM COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fillmore (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/](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

November 30, 2023

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CLERK-TREASURER  
TOWN OF FILLMORE

CLERK-TREASURER  
TOWN OF FILLMORE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment also appeared in prior Report B53509.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. There was a lack of segregation of duties as the Town had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, and reporting to ensure the accuracy and timeliness of the recordkeeping.

In addition, the Town had no process in place for communicating information related to proper financial reporting or to monitor the effectiveness of the Town's controls over time.

*Cash and Investments (Bank Reconciliations)*

A review process had been designed but was not properly documented to ensure reconciliations of the accounting record balances to the bank depository balances were completed at least monthly, as required by state statute.

*Receipts*

The Town had not segregated key functions related to receipts. The Clerk-Treasurer issued and posted receipts to the ledger. The Town had not designed or implemented an oversight or review process to ensure the accuracy of receipts.

*Payroll Disbursements*

The Town had not segregated key functions related to payroll disbursements. The Clerk-Treasurer was responsible for entering new employees into the system and for processing payroll without an oversight or review process in place to ensure the accuracy of the payroll disbursements.

*Financial Reporting*

The Town prepared and submitted the financial information from the Town's financial accounting system into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the financial statements. Evidence of an oversight or review process to detect and correct errors prior to submission was not documented.

The lack of internal controls allowed the following material misstatement to remain undetected for 2022:

1. Disbursements totaling \$293,334 were not reported for the Wastewater, Wastewater Meter Deposit, Wastewater B & I, and Water Deposit funds. This understated disbursements and overstated the ending cash and investments balances by \$293,334.
2. The Water Utility Operating fund disbursements were understated, and the ending cash and investments balance was overstated by \$40,530.
3. The Water B & I fund disbursements were overstated, and the ending cash and investments balance was understated by \$13,391.

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

This resulted in a total understatement of disbursements and a total overstatement of ending cash and investments balance by \$320,473.

Audit adjustments were proposed, approved by the Town, and made to the 2022 financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Town.

*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](#)."

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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

### ***BANK ACCOUNT RECONCILIATIONS***

#### *Condition and Context*

The Town did not always reconcile its bank accounts timely. The March through December 2022 monthly bank reconciliations were not completed until March 2023.

The monthly bank reconciliations from March through December 2022 included unidentified variances when the adjusted bank balance was compared to the ledger balance. The variances ranged from a \$2,464 bank long to \$2,005 bank short for which supporting documentation was not provided so the validity of the adjusting items on the bank reconciliations could not be verified. In addition, the Town did not analyze why the fund balance of the Payroll fund increased over the audit period, which could have identified some of the variances on the bank reconciliation.

Furthermore, the December 31, 2022 bank reconciliation included eight reconciling items which netted to \$152 that had not been timely posted to the ledger. Some of the items dated back to 2018 and 2019.

#### *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."

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### ***ANNUAL FINANCIAL REPORT***

#### *Condition and Context*

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The grants, accounts receivable, accounts payable, and capital asset information entered into Gateway for the 2019, 2020, 2021, and 2022 AFR contained the following errors:

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

*Grants*

1. The 2020 Community Development Block Grant and Coronavirus State and Local Fiscal Recovery Funds were understated by \$30,000 and \$8,924, respectively.
2. The 2021 Community Development Block Grant was understated by \$20,000.
3. In 2022, the Town overstated the federal grants by the \$208,259 Community Crossings state grant.

*Accounts Receivable and Accounts Payable*

The Town was unable to provide records to support the accounts receivable and accounts payable amounts reported in the AFR in 2019, 2020, 2021, and 2022. The Town approved the omission of the 2022 Schedule of Payables and Receivables from the Financial Statements Audit Report of the Town.

*Capital Assets*

The Town was unable to provide detailed capital asset records to support the capital asset amounts reported in the AFR in 2019, 2020, and 2021.

*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](#)."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B53509.

*Condition and Context*

The financial statements included the Community Crossings Grant and Previous Clerk Late Fee and Int funds with overdrawn cash balances of \$15,572 and \$536, respectively, at December 31, 2022.

*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)

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

***SUBSEQUENT EVENTS - TIMELINESS OF RECONCILIATIONS***

*Condition and Context*

As of October 26, 2023, the Town had not completed the 2023 monthly bank reconciliations for the Town's bank accounts.

*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."

# TOWN OF FILLMORE

## AND FILLMORE MUNICIPAL UTILITIES

State Board of Accounts  
302 W Washington Street, Room E 418  
Indianapolis, IN 46204-2765

Re: OFFICIAL RESPONSE

December 7, 2023

State Board of Accounts,

We have received the non-compliance issues that followed the audit of years 2019-2022. We have taken many steps before the conclusion of this audit in order to resolve them, in accordance with the Accounting and Uniform Compliance Guidelines Manual, provided by the SBOA.

Standards for Internal Controls were made mandatory for all local governments in 2016. Beginning in January 2024, a Fund Report will be presented per month that contains all detailed claims, detailed receipts, adjustments, and bank reconciliations that are reviewed and signed off by the fiscal officer, Town Council members, and Consultant. We believe this will strengthen internal controls.

Regards,



Andi Schardt  
Clerk-Treasurer

**Town Council**  
Meridith Trusty  
Jerry Huff  
C.J. Huller

**Office of the Clerk-Treasurer**  
Bill Miles

**Public Works**  
Joe Cash

CLERK-TREASURER  
TOWN OF FILLMORE  
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2023, with Andi Schardt, Clerk-Treasurer; Jayna Haldeman, former Clerk-Treasurer; Meredith Trusty, President of the Town Council; C.J. Huller, Town Council member; and Monica Bray, Consultant.