

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

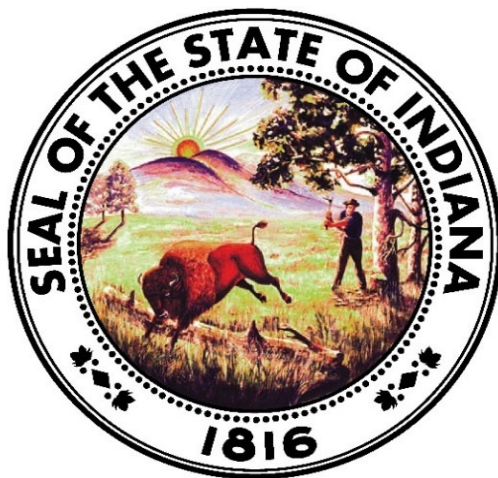
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FAIRVIEW PARK

VERMILLION COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

11/09/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Milisa Carty	01-01-19 to 12-31-23
President of the Town Council	Larry E. Natalie	01-01-19 to 12-31-23
Water and Sewage Utility Superintendent	Susan Crossley	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FAIRVIEW PARK, VERMILLION COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fairview Park (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

October 30, 2023

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CLERK-TREASURER
TOWN OF FAIRVIEW PARK

CLERK-TREASURER
TOWN OF FAIRVIEW PARK
AUDIT RESULTS AND COMMENTS

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Town Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The Town did not comply with the State Examiner Directive and failed to upload any of the monthly or annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2019, 2020, 2021, and 2022.

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. . . .

Annual files are due to be uploaded on Gateway no later than March 1, 2019. Thereafter, annual files must be uploaded no later than March 1 for the prior year end unless the SBOA establishes a different date. . . .

(State Examiner Directive 2018-1)

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)

CAPITAL ASSETS

Condition and Context

The Town did not complete a physical inventory at least every two years. The Town did not have a complete detailed listing of all capital assets.

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 FAIRVIEW PARK
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54836.

Condition and Context

The Town certified in the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal standards adopted by the Town; however, during the engagement, the Clerk-Treasurer indicated that personnel had not received training concerning the internal control standards.

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

The same comment also appeared in prior Report B54836.

Condition and Context

The Town did not have an adequate system of internal control over cash and investments, receipts, and financial close and reporting.

Cash and Investments

The Clerk-Treasurer completed monthly bank account reconciliations for the Town funds without a documented oversight, review, or approval process.

Receipts

The Town had not separated incompatible activities related to receipts. Receipts were issued and recorded by the Clerk-Treasurer without a documented oversight, review, or approval process.

Financial Close and Reporting

Throughout the audit period, the Clerk-Treasurer completed and submitted the Town's Annual Financial Reports in the Indiana Gateway for Government Units financial reporting system without a documented oversight, review, or approval process in place to ensure their accuracy.

CLERK-TREASURER
TOWN OF FAIRVIEW PARK
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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The leases and debt information entered into Gateway contained the following errors:

1. For 2019, the Wastewater Utility general obligation bonds ending principal balance was overstated by \$95,000, and the principal and interest due in one year was understated by \$265,063.
2. For 2019, the Water Utility general obligation bonds ending principal balance was overstated by \$95,000.
3. For 2019, the Storm Water Utility general obligation bonds ending principal balance was overstated by \$45,000, and the principal and interest due in one year was understated by \$2,563.
4. For 2020, the Wastewater Utility general obligation bonds ending principal balance was understated by \$70,313.
5. For 2020, the Storm Water Utility general obligation bonds ending principal balance was overstated by \$40,210, and the principal and interest due in one year was overstated by \$25,515.
6. For 2021, the Wastewater Utility general obligation bonds ending principal balance was overstated by \$34,688, and the principal and interest due in one year was understated by \$265,325.

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

7. For 2021, the Storm Water Utility general obligation bonds ending principal balance was overstated by \$64,210, and the principal and interest due in one year was understated by \$1,975.
8. For 2022, the Wastewater Utility general obligation bonds ending principal balance was overstated by \$144,688.
9. For 2022, the Storm Water Utility general obligation bonds ending principal balance was overstated by \$89,210, and the principal and interest due in one year was overstated by \$26,493.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Town.

In addition, the capital asset, accounts payable, and accounts receivable information entered into Gateway could not be verified due to lack of supporting documentation.

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 Reports B48179 and B54836.

Condition and Context

The cash balance for the Wastewater Utility Operating fund in 2019, which was renamed to Sewage Utility Operating fund in 2020 was overdrawn by \$79,859, \$106,386, \$134,157, and \$177,445 on December 31, 2019, 2020, 2021, and 2022, respectively.

The Motor Vehicle Highway fund was overdrawn by \$2,982 in 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 FAIRVIEW PARK
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Condition and Context

The following deficiencies were noted in the records of the Town:

- In 2019, the Town did not post the receipt or disbursement of \$76,031 for the F.p. Storm Water Const. Grant.
- In 2019, the Town transferred \$26,458 from the Water Utility Operating fund to the Sewage Utility Bond and Interest Sinking fund; however, it should have been disbursed from the Sewage Utility Operating fund. The transfer was for the sewage bond payment.
- In 2022, the Town transferred \$26,533 from the Sewage Utility Operating fund to the Sewage Utility Bond and Interest Sinking fund; however, it should have been receipted into the Sewage Utility Bond and Interest Sinking fund. The transfer was for the sewage bond payment.
- In December 2022, the Town receipted a distribution of \$12 for Motor Vehicle Highway to the General fund; however, it should have been receipted into the Motor Vehicle Highway fund.

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (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)

CLERK-TREASURER
TOWN OF FAIRVIEW PARK
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with Milisa Carty, Clerk-Treasurer; Susan Crossley, Water and Sewage Utility Superintendent; and Larry E. Natalie, President of the Town Council.

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TOWN COUNCIL
TOWN OF FAIRVIEW PARK

TOWN COUNCIL
TOWN OF FAIRVIEW PARK
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B54836.

Condition and Context

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training that was developed or approved by the Indiana State Board of Accounts over internal control standards.

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 FAIRVIEW PARK
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2023, with Milisa Carty, Clerk-Treasurer; Susan Crossley, Water and Sewage Utility Superintendent; and Larry E. Natalie, President of the Town Council.