

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

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FRANCESVILLE

PULASKI COUNTY, INDIANA

January 1, 2023 to December 31, 2024



FILED

04/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy Elston Joelyn Flotow	01-01-23 to 12-31-24 01-01-25 to 12-31-25
President of the Town Council	Tom Thomas	01-01-23 to 12-31-25



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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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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, 2023 to December 31, 2024. 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 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

April 10, 2025



CLERK-TREASURER
TOWN OF FRANCESVILLE

CLERK-TREASURER
TOWN OF FRANCESVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER UTILITY COLLECTIONS

A similar comment also appeared in prior Reports B53894 and 000000923S, entitled *INTERNAL CONTROLS*.

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 utility receipts collected by a service organization.

The Clerk-Treasurer was solely responsible for the receipting process. An oversight or review process was not designed or implemented to ensure the completeness and accuracy of utility receipts received from a service organization. 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. . . ."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Annual Financial Report
- Utility Billing Errors

These internal deficiencies are further detailed in the comments below.

CLERK-TREASURER
TOWN OF FRANCESVILLE
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:

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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

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2022.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR, which resulted in errors for capital assets reported.

The Town maintained a detailed capital asset listing, which was the source documentation for the capital asset information reported in the 2024 AFR. However, the Town overstated the value of machinery, equipment, and vehicles under the Wastewater section of the AFR by \$850,500.

The AFR is the basis for the other information presented. Adjustments were proposed, accepted by the Town, and made to the AFR and to the other information presented in the Schedule of Capital Assets in the Financial Statement 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 as set forth in the uniform compliance guidelines. 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 FRANCESVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

UTILITY BILLING ERRORS

A similar comment appeared in a Management Letter addressed to the officials of the Town for the audit period ending December 31, 2022.

Condition and Context

Effective internal controls were not established to ensure that Utility billings, including penalties, were accurately charged in accordance with the Town's ordinances.

The Town charged one customer for water usage rate using a different meter size than the meter size used to bill for sewer usage. The billing rates, per ordinance, were based upon the size of the water meter. The Town could not explain why two different meter sizes were used for the customer's billings.

Water and sewer penalties were to be assessed on unpaid bills after 15 days from the date of billing. The Town billed penalties on the 5th day of the following month. As the utility billing date fluctuated throughout the audit period, the penalties were not always assessed timely in accordance with the ordinances.

Finally, the Town did not properly assess water penalties in accordance with Ordinance No. 4 of 2022, which states:

"All bills shall be due and payable monthly and bills unpaid for more than 15 days following the date of billing shall include a collection charge of 10% on the first \$3.00 on unpaid and 3% on the balance of unpaid billing in excess of \$3.00."

Water penalties were assessed at 3 percent of the unpaid billing, which resulted in a smaller penalty charged for delinquent water bills than required by ordinance.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF FRANCESVILLE

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OFFICIAL RESPONSE

Date: April 16th, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re:

The Clerk-Treasurer has reached out to our town attorney regarding getting ordinances in place for fees collected for the park shelter, VIN check, and fire department rental

The Clerk has also obtained all contracts for Schramm Law Group, Baker Tilly, and Keystone.

The Town has introduced a new water utility ordinance and amended the previous ordinance since the penalties were not in the ordinance correctly.

The Clerk contacted Keystone regarding the meter size of Fratco. The meter size is 2" meter with code N due to being out of town user which also has an additional charge due to them being out of town and that is why their payment showed up differently on the utility report.

Compensation and benefits for PT employees are pulled out of three different funds just as every other employee is stated within our ordinance.

The clerk is working on the fire department car allowance and clothing fund.

Joelyn Flotow



Clerk-Treasurer
Town of Francesville

CLERK-TREASURER
TOWN OF FRANCESVILLE
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2025, with Joelyn Flotow, Clerk-Treasurer; Tom Thomas, President of the Town Council; Sydney Disinger, Town Council member; and Susan Overton, Town Council member.