

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

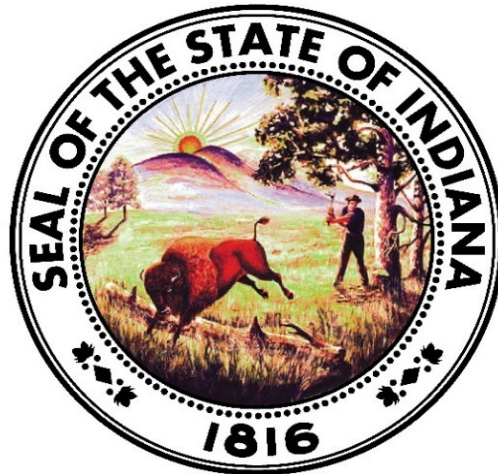
COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF FOWLERTON

GRANT COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

07/09/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna F.M. Davis Michelle Roberts	01-01-19 to 12-31-20 01-01-21 to 12-31-24
President of the Town Council	Joe T. Seward	01-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE TOWN OF FOWLERTON, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Fowlerton (Town), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Michelle Roberts, Clerk-Treasurer; Joe T. Seward, President of the Town Council; Janet Dailey, Town Council member; and Steve Turner, Town Council member, on July 1, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

May 2, 2024

TOWN OF FOWLERTON  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in noncompliance over the Annual Financial Report; condition of records; training on internal control standards; certification on internal control standards; overdrawn cash balances; penalties, interest, and other charges; conflict of interest; monthly and annual uploads; capital assets; building lease; and services contract, detailed further in the comments below.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. Records presented for review did not match the AFRs and the financial statements. The following errors were identified:

- The Town reported investment balances twice, which overstated the General fund beginning and ending balances by \$197,440 on December 31, 2019, 2020, 2021, 2022, and 2023. This reporting error was documented in the prior review but was not corrected.
- There was a correction posted December 31, 2022, in the Town's records that was not reflected in the AFR. A disbursement of \$6,408 that should have been from the Motor Vehicle Highway (MVH) - Restricted fund was originally posted to the MVH fund. This correction, not reported separately on the AFR, resulted in a change in January 1, 2023 beginning balances from what was reported at December 31, 2022, between the MVH and the MVH - Restricted funds.

Adjustments were proposed, accepted by management, and made to the financial statements presented in the Compliance Engagement Report for the Town.

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

	2019	2020	2021	2022	2023
General Ledger	\$ 925,371	\$ 957,727	\$ 967,313	\$ 950,339	\$ 1,010,370
Original AFR	1,121,718	1,148,237	1,167,335	1,150,361	1,207,810
Adjusted AFR	924,278	950,797	967,313	950,339	1,010,370
Original difference	196,347	190,510	200,022	200,022	197,440
Adjusted difference	(1,093)	(6,930)	-	-	-

*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](#)."

**CONDITION OF RECORDS**

*Condition and Context*

Errors between bank reconciliations and records were not found in a timely manner. In 2021, the Town switched from a hand posted ledger to a computer system. The beginning balance input into the new system was taken from the Annual Financial Report (AFR) which had a balance that was \$6,930 less than the General Ledger on December 31, 2020. This has been an ongoing adjustment on the reconciliation and is subtracted from the bank balance in the table below beginning in 2021.

The Clerk-Treasurer performs monthly bank reconciliations with the computer bank activity. The balance that is reconciled to does not match the amount reported in the Fund Report with Investments which is used to report the AFR. During the examination, it was found that some electronic fund transfers were not included in disbursement activity or on the Fund Report with Investments. This would cause the ledger balance to be reported too high and would account for some of the difference in 2022 and 2023. The Clerk-Treasurer is aware of the issue and is working with the software vendor to fix this problem.

The following is a comparison of the reconciled bank balances to the Town's general ledger balances:

	2019	2020	2021	2022	2023
Bank Balance	\$ 925,371	\$ 957,727	\$ 969,899	\$ 947,735	\$ 1,002,625
General Ledger	925,371	957,727	967,313	950,339	1,010,371
Difference	\$ -	\$ -	\$ 2,586	\$ (2,604)	\$ (7,746)

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

*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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town did not ensure that all applicable personnel had received training concerning the internal control standards. Training had not been completed by the Clerk-Treasurer since taking office in 2021.

*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."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Clerk-Treasurer incorrectly certified on the Indiana Gateway for Government Units financial reporting system for 2021-2023 that personnel defined by Indiana Code 5-11-1-27(c) received training concerning the internal control standards adopted by 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](#)."

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The Sanitation (Trash) fund had negative balances at December 31, 2019, 2020, 2021, 2022, and 2023 of \$5,324; \$7,127; \$8,429; \$10,936; and \$13,131, respectively.

The Town currently allows owners of vacant properties to cancel trash pick-up and not pay for this service while properties are unoccupied. Under the current contract with Republic, the Town pays for 120 properties, but only bills around 100 properties per month. The Clerk-Treasurer was unable to locate the ordinance which authorizes not billing vacant property for trash pick-up.

*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)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

Tax withholdings were not properly submitted to the Internal Revenue Service (IRS). In 2021, first quarter federal tax withholdings and payments were made properly on Form 941. The 2nd-4th quarter tax payments were incorrectly filed at year end on Form 944. In addition to not filing the required quarterly forms, there was a math error on the Form 944 which caused an underpayment of taxes. There were penalties and interest of \$81 assessed and paid to the IRS regarding this issue.

In addition, there were three instances noted of quarterly payments being paid late. A payment of \$77 to the IRS on January 5, 2024, was regarding a notice from first quarter 2022. This quarterly payment was made late due to a misunderstanding regarding the use of quarterly Form 941 versus annual Form 944. Wages paid by the Town and Utilities are enough to require quarterly payments.

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

**CONFLICT OF INTEREST**

*Condition and Context*

The Town currently has the Town and Utility offices located in a rental property owned by the President of the Town Council. No contract was in place for this arrangement, and no rent was being charged. However, during the engagement period, the Town paid \$7,963 in 2021 for materials and labor related to siding, roof, and window repair of this facility.

Based upon the circumstances, the Indiana State Board of Accounts would have expected to receive a conflict of interest disclosure for the related-party transaction. There was not one on file during the audit period that covered this matter.

*Criteria*

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
  - (A) the state board of accounts; and
  - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict-of-interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The Town had uploaded required monthly uploads before the start of the engagement; however, the monthly uploads were inconsistent and not timely, particularly after switching to the computer system in 2021. Monthly uploads are due 45 days following month end. Bank statements were not required until December 2020, due February 15, 2021. January-April 2021 statements were uploaded February 20, 2024; May 2021-December 2022 bank statements were uploaded on July 17, 2023. January 2023-December 2023 bank statements were uploaded February 23, 2024.

Minutes from monthly Town Council meetings, fund ledgers, and bank reconciliations tended to be uploaded in batches. A few examples include Town Council minutes from October 2021-February 2022 uploaded March 18, 2022; Fund reports for July-September 2022 uploaded December 22, 2022; and Bank Reconciliations for July-November 2022 uploaded January 30, 2023. All monthly uploads for 2023 were done between December 2023 and February 2024.

Annual required uploads such as Detail of Receipts and Disbursements for the year, current Salary Ordinance, Annual Vendor History Report, Annual Payroll History Report, and the Annual Funds Ledger Report were not completed during the engagement period.

*Criteria*

All counties, cities, towns, townships, libraries, schools, and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 was unable to provide a capital asset policy with a threshold amount for determining when an item is considered a capital asset. The Town did have a manual capital asset listing, but a physical inventory had not been taken every two years. Per management, the listing had not been updated regularly for purchases and deletions. The Town reported \$2,379,605 in the Annual Financial Report at December 31, 2023.

TOWN OF FOWLERTON  
COMMENTS  
(Continued)

*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)

***BUILDING LEASE***

*Condition and Context*

The Town and Utility office is in a building that is not owned by the Town. There is no written lease in place governing this agreement or documenting any terms and conditions.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

***SERVICES CONTRACT***

*Condition and Context*

The Town paid Byrd Construction for repairs to the building where the Town offices are located. These repairs included material and labor for siding, roof, and a new window. The Town does not own this building. There was no contract in place for this work or any evidence that this work was approved by the Town Council prior to payment.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

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TOWN OF FOWLERTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General	\$ 231,176	\$ 62,548	\$ 53,332	\$ 240,392	\$ 67,658	\$ 63,608	\$ 244,442
Motor Vehicle Highway	130,018	11,234	365	140,887	9,907	17,530	133,264
Local Road And Street	41,144	4,467	-	45,611	4,246	-	49,857
Sanitation	(3,938)	11,848	13,234	(5,324)	14,217	16,020	(7,127)
Firefighting	12,083	134	-	12,217	69	-	12,286
Rainy Day	239,794	19,193	-	258,987	18,588	15	277,560
Cumulative Capital Improvement	38,544	596	-	39,140	566	-	39,706
Wastewater Utility-Operating	182,928	57,520	48,080	192,368	63,431	54,990	200,809
Totals	<u>\$ 871,749</u>	<u>\$ 167,540</u>	<u>\$ 115,011</u>	<u>\$ 924,278</u>	<u>\$ 178,682</u>	<u>\$ 152,163</u>	<u>\$ 950,797</u>

TOWN OF FOWLERTON  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General	\$ 244,442	\$ 53,814	\$ 57,116	\$ 241,140	\$ 62,471	\$ 90,097	\$ 213,514
Motor Vehicle Highway	133,264	5,475	5,223	133,516	5,614	19,250	119,880
Local Road And Street	49,857	4,612	-	54,469	4,954	4,626	54,797
MVH RESTRICTED	-	5,915	-	5,915	5,614	6,408	5,121
Sanitation	(7,127)	14,628	15,930	(8,429)	15,497	18,004	(10,936)
Firefighting	12,286	20	-	12,306	31	-	12,337
Rainy Day	277,560	17,926	-	295,486	20,814	-	316,300
LEVY EXCESS FUND	-	933	-	933	-	-	933
Cumulative Capital Improvement	39,706	536	-	40,242	486	-	40,728
Wastewater Utility-Operating	200,809	59,900	68,974	191,735	55,954	50,024	197,665
Totals	<u>\$ 950,797</u>	<u>\$ 163,759</u>	<u>\$ 147,243</u>	<u>\$ 967,313</u>	<u>\$ 171,435</u>	<u>\$ 188,409</u>	<u>\$ 950,339</u>

TOWN OF FOWLERTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 213,514	\$ 88,079	\$ 65,548	\$ 236,045
Motor Vehicle Highway	119,880	6,063	-	125,943
Local Road And Street	54,797	5,382	8,500	51,679
MVH RESTRICTED	5,121	6,018	-	11,139
Sanitation	(10,936)	16,579	18,774	(13,131)
Firefighting	12,337	3	-	12,340
Rainy Day	316,300	41,955	-	358,255
LEVY EXCESS FUND	933	-	-	933
Cumulative Capital Improvement	40,728	486	-	41,214
Wastewater Utility-Operating	197,665	54,098	65,810	185,953
Totals	<u>\$ 950,339</u>	<u>\$ 218,663</u>	<u>\$ 158,632</u>	<u>\$ 1,010,370</u>