

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FULTON

FULTON COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

06/25/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Hartman Valerie Gray	01-01-19 to 03-25-19 03-26-19 to 12-31-24
President of the Town Council	Timothy Strasser	01-01-19 to 12-31-24



**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 FULTON, FULTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fulton (Town), for the period from January 1, 2019 to December 31, 2023. 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

May 15, 2024

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CLERK-TREASURER  
TOWN OF FULTON

CLERK-TREASURER  
TOWN OF FULTON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

A similar comment appeared in prior Report B54870, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to financial close and reporting, cash and investments, payroll disbursements, and receipts.

*Financial Close and Reporting*

The Town had not established a system of internal controls over financial transactions entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statements. The Clerk-Treasurer entered and submitted the information into Gateway without an oversight or review process in place to prevent, or detect and correct, errors.

*Cash and Investments*

The Town had not established a system of internal controls to ensure monthly bank reconciliations were completed timely and accurately. The bank reconciliations were prepared by the Clerk-Treasurer without a review or approval process in place.

*Payroll Disbursements*

The Town had not established a system of internal controls that ensured payroll disbursements were properly processed. The Clerk-Treasurer manually processed payroll based on the approved salary ordinances and timesheets provided by employees bi-weekly. The Clerk-Treasurer utilized applicable tax rates and withholding tables to process payroll and then wrote a manual check to each employee. An Account Payable Voucher (APV) was created and the Town Council approved a net pay amount for each employee on a bi-weekly basis, and approved a monthly transfer from the General fund and Sewer Operating fund to the Payroll fund. There was no review or approval that ensured that applicable taxes, withholdings, and net pay were properly calculated, and the amount provided on the APV agreed with the checks written.

*Receipts*

The Town had not established a system of internal controls to ensure timely and accurate recording of receipts. The Clerk-Treasurer recorded receipts to the ledger without an oversight or review process in place that ensured accuracy.

*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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"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**

### *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. The Town had not established internal controls to detect or correct errors prior to submission.

### *Financial Data*

Due to the lack of effective internal controls, the financial information reported in the AFR contained the following errors:

- Errors related to transfers resulted in an understatement of disbursements and an overstatement of ending cash and investments of \$26,738 for the year ended December 31, 2019.
- Errors related to payroll resulted in an overstatement of disbursements and an understatement of ending cash and investments of \$15,847 for the year ended December 31, 2019.

An adjustment of \$14,738 was proposed, accepted by the Town, and made to the financial statements and to the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town. However, immaterial errors still remain in the financial statements.

### *Payables and Receivables*

The Town reported payables and receivables in the AFR, but was not able to provide documentation to support the amounts reported at December 31, 2019, 2020, 2021, 2022, and 2023. The Town approved the omission the Schedule of Payables and Receivables in the Financial Statements Audit Report of the Town.

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*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](#)."

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Report B54870, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

The Town prepared bank reconciliations on a monthly basis; however, they were incomplete and did not reconcile. The bank reconciliations presented for audit did not reconcile by \$34,191, \$17,899, \$11,321, \$11,631, and \$18,831 as of December 31, 2019, 2020, 2021, 2022, and 2023, respectively. During the audit, we identified additional reconciling items related to transfers, payroll, duplicate payments, and reconciling items that cleared, but were not removed. Based on the adjusted bank reconciliations, unidentified variances remained in the amount of \$658, \$47, \$279, \$1,724, and \$1,723 as of December 31, 2019, 2020, 2021, 2022, and 2023, respectively.

*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."

**CAPITAL ASSETS**

*Condition and Context*

The capital asset detailed listing contained errors as of December 31, 2023. Of the ten items selected for inspection, two were no longer owned by the Town. Additionally, three items purchased, and two items disposed of were not properly reflected on the listing.

The Town was unable to provide evidence of a completed physical inventory taking place at least every two years.

*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)

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AUDIT RESULTS AND COMMENTS  
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**CARES ACT FUND**

*Condition and Context*

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

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

Additionally, the Town posted two expenses without appropriation directly to the CARES Act Relief fund after October 22, 2021. The expenditures upon which the payroll reimbursement was based should have been recorded in the CARES Act Relief fund, or the reimbursed amount transferred through the claims process to the General fund which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

The CARES Act Relief fund had a zero balance as of December 31, 2021.

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

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.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**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.

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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.**

(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)

## **ERRORS ON CLAIMS**

### *Condition and Context*

The following errors were noted in the testing of disbursements:

- Supporting documentation, such as an invoice or bill, was not available for 7 of the 42 vendor disbursements selected for testing.
- The Town Council approval was not documented for 3 of the 42 vendor disbursements selected for testing.

### *Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **CONTRACTS**

### *Condition and Context*

Disbursements were made to volunteer firefighters for fire runs and clothing allowance as part of contracted services. However, the contracts provided stated the Town was responsible for paying for fire runs and clothing allowance, but did not identify the amount that was to be paid for these items.

### *Criteria*

Indiana Code 36-8-12-4 states:

The contract between a unit and a volunteer fire department must provide that the unit pay to the department, as consideration for the contract, an amount of money that is determined by negotiation between them. This consideration must include the amounts that the unit is required to pay under this chapter for insurance premiums and clothing, automobile, and other allowances."

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)

## **ERRORS IN TRANSFERS**

### *Condition and Context*

The following errors in transfers were identified:

- There were six transfers from the General fund to the Rainy Day Fund during the audit period. The Town Council did not approve a resolution for the transfers. Four of these transfers were approved by the Town Council via its regular claims process. Additionally, for two of these transfers, the Town recorded the transfer into the Rainy Day Fund for \$10,000 and \$372 in 2019 and 2020, respectively, but did not record the transfers out of the General fund.
- The Town Council approved Resolution 2019-04 establishing the MVH Restricted fund and authorizing a transfer from the MVH fund. A transfer into the MVH Restricted fund was recorded for \$14,738, but did not record the transfer out of the MVH fund.

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- The Town transferred funds from the Sewer Operating fund to the Sewer Bond and Interest fund on a monthly basis for payment of the general obligation bonds. In 2019, the Town transferred \$8,000 more to the Sewer Bond and Interest fund than was required by ordinance. These errors were corrected in 2020. In 2020, a transfer of \$2,000 was recorded from the Sewer Bond and Interest fund back into the Sewer Bond and Interest fund when it should have been transferred out of the Sewer Operating fund.

*Criteria*

Indiana Code 36-5-4-13(a) states:

"Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

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)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

The Town did not comply with the State Examiner Directive 2018-1 as amended. The Town did not upload into the Indiana Gateway for Government Units financial reporting system any of the required monthly and annual files for 2019 through 2023.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Bank Statements (effective for the required upload beginning with December 2020 information)
- Outstanding Check Lists (effective for the required upload beginning with December 2020 information)
- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

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The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance (and Amendments effective beginning with annual uploads of 2020 information)
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

*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. (State Examiner Directive 2018-1)

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15<sup>th</sup> of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. For schools and extra-curricular accounts, this is effective for year ending June 30, 2021, which will be due August 29, 2021. Thereafter, annual files must be uploaded no later than March 1<sup>st</sup> (August 29<sup>th</sup> for schools and extra-curricular accounts) for the prior year end unless the SBOA establishes a different date.

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)

CLERK-TREASURER  
TOWN OF FULTON  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2024, with Valerie Gray, Clerk-Treasurer; Timothy Strasser, President of the Town Council; and Phillip Frye, Town Council member.