

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, 2011 to December 31, 2012



FILED
04/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda Seidler	01-01-08 to 04-04-15
	(Vacant)	04-05-15 to 04-13-15
	Paul Alleyn	04-14-15 to 08-08-15
	(Vacant)	08-09-15 to 09-30-15
President of the Town Council	Thomas P. Gilson	10-01-15 to 12-31-15
	James Wesley Terhune	01-01-11 to 12-31-11
	Alan F. Jones	01-01-12 to 12-31-15
Superintendent of Utilities	Joseph Cash	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our examination report of the Town of Fillmore (Town), for the period from January 1, 2011 to December 31, 2012. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Examination Report of the Town, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 17, 2015

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CLERK-TREASURER
TOWN OF FILLMORE

CLERK-TREASURER
TOWN OF FILLMORE
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Reports for 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Town of Fillmore. In addition, the Annual Financial Reports for 2011 and 2012 were not filed within 60 days of year end. The reports were filed electronically on March 30, 2012, and April 11, 2013, respectively.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

CONDITION OF RECORDS

Financial records presented for examination were not accurately posted to show all activity of the Town and Utility funds.

Some of the deficiencies include:

1. During the reconciling process, the Town recognized 14 posting errors throughout the examination period and used them as adjusting items on their bank reconciliations. The errors remained uncorrected in the records as of December 31, 2012. These posting errors included failure to record customer checks returned by the bank for insufficient funds, receipts posted to the wrong utility, and payroll payments from the wrong fund.
2. Bank fees from 2010, 2011, and 2012 were not posted to the ledger.
3. One item reported as a deposit in transit at December 31, 2010, is being reported as an overstatement of the Wastewater Operating fund at December 31, 2012.
4. The 2011 ledger includes all cash receipts and disbursements, but it lacks the detail portion which classifies the uses and sources of funds.
5. For the months of January and February 2011, the stamped utility bill stubs used as receipts for the Water and Wastewater Utilities were not on file.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or controlled ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON ACCOUNTS PAYABLE VOUCHERS

A test of Accounts Payable Vouchers identified the following deficiencies:

1. Of the vouchers tested, 14 percent did not have adequate supporting documentation itemizing the items or services purchased.
2. Of the vouchers tested, 61 percent did not have proper approval by the Clerk-Treasurer as fiscal officer.

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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Manuals for Cities and Towns, Chapter 7)

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

ORDINANCES AND RESOLUTIONS - TRANSFERS FOR UTILITY BOND REQUIREMENTS

The Town had debt ordinances requiring monthly transfers from the Water Operating and Wastewater Operating funds to the Water and Wastewater Depreciation funds, Debt Service Reserve funds, and Bond and Interest funds. However, the Town did not make the required transfers for the years ended December 31, 2011 and 2012.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCE

At December 31, 2012, the Water Operating fund had an overdrawn cash balance of \$15,420.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAYMENT OF SALES TAX

There were two payments made to the Indiana Department of Revenue for sales tax collections that indicated they both were for the month of May 2011. The payments were in the amounts of \$443 and \$440. Credit for this possible overpayment was not noted during the examination period ending December 31, 2012.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

During the examination period, several payments made to the Indiana Department of Revenue and other vendors included penalties, interest, and other charges as follows:

- The 2010 Utility Receipts Tax payment made December 27, 2011, to the Indiana Department of Revenue included penalty and interest of \$43.
- A payment made May 9, 2012, to the Indiana Department of Revenue of \$193 was penalty and interest for late payment of 2010 Utility Receipts Tax.
- A payment on a convenience store credit card paid March 26, 2012, included late fees and charges of \$52.
- A payment to the Indiana Bureau of Motor Vehicles on April 18, 2012, included late fees of \$21.

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 governmental unit.

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

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 governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts were issued at the time the transactions occurred. Our test of this procedure found that 1 percent of the receipts tested were not issued at the time of the transactions.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Fillmore Water Utility paid the utility receipts tax due for the year 2010, on December 27, 2011. No payments were made for utility receipts tax due for the year 2011.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

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 governmental 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 governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF FILLMORE
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2015, with Thomas P. Gilson, Clerk-Treasurer, and Alan F. Jones, President of the Town Council.

TOWN COUNCIL
TOWN OF FILLMORE

TOWN COUNCIL
TOWN OF FILLMORE
EXAMINATION RESULT AND COMMENT

ERRORS ON CLAIMS

A test of Accounts Payable Vouchers identified 61 percent did not have proper approval by the Town Council.

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."

TOWN COUNCIL
TOWN OF FILLMORE
EXIT CONFERENCE

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