

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FORTVILLE

HANCOCK COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**

08/28/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Stafford	01-01-12 to 12-31-15
	Sherry Durbin	01-01-16 to 10-31-16
	(Vacant)	11-01-16 to 11-07-16
	Melissa Glazier	11-08-16 to 12-31-19
President of the Town Council	William Hiday	01-01-13 to 12-31-17
	Michael Frishkorn	01-01-18 to 12-31-18
Superintendent of Utilities	Joe Renner	01-01-13 to 12-31-18
Town Manager	Joe Renner	01-01-13 to 12-31-18



**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 FORTVILLE, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Fortville (Town), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 7, 2018

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CLERK-TREASURER  
TOWN OF FORTVILLE

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS

***FINDING 2013-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-1.

*Condition*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The Clerk-Treasurer was the sole person responsible for all transactions related to cash and investments, receipts, and financial close and reporting during the audit period. There were no controls in place to monitor, review, or determine the accuracy of the financial close and reporting process.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*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. . . ."

*Cause*

Management had not established a proper system of internal control over financial transactions and reporting.

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the Town's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

**FINDING 2013-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-2.

*Condition*

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The Town had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's SEFA. The Clerk-Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. Two grants were not included, which understated federal expenditures by \$347,256:
  - a. The Highway Planning and Construction grant with expenditures of \$79,464 was omitted.
  - b. The Capitalization Grants for Clean Water State Resolving Funds with expenditures of \$267,792 was omitted.
2. The Community Development Block Grant expenditures were overstated by \$19,424.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS  
(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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_\_\_.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS  
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the Town's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2013-003**

Subject: CDBG - State-Administered CDBG Cluster - Cash Management  
Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B12DC180001CF-11-104

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-4.

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Grant funds were required to be disbursed within five business days of receipt by the Town. The Town was aware of the five day requirement; however, no evidence was presented for audit that indicated a control to comply with the requirement was in place.

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS  
(Continued)

In the final drawdown for the grant award, the amount requested was divided into two parts. One amount of \$53,135 was to be paid to the contractor. The remaining balance of the grant award, \$19,425, was to replace expenditures previously incurred and charged to the Town's State Revolving Funds (SRF) grant. The SRF grant funds being replaced were used to pay the same contractor for work performed on the same project for the Town.

In requesting the drawdown, an additional \$53,135 was found to be mistakenly requested from the SRF grant. This resulted in a total of \$72,560 due to be repaid to the SRF grant within five business days of receiving the grant distribution, consisting of the \$53,135 duplicate request and the \$19,425 expenditure replacement. The Town received the distribution from the state on July 23, 2013; however, repayment to the SRF grant did not occur until November 27, 2013, approximately four months after receiving the grant distribution.

*Context*

The lack of controls and noncompliance were a systemic issue, which occurred throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

24 CFR 85.12(c) states in part: "If an awarding agency decides to impose such conditions, the awarding official will notify the grantee or subgrantee as early as possible, in writing, . . ."

The Indiana CDBG Handbook, section 6.5 (Draw-downs and Disbursements) states in part:

"Under no circumstances should a Grantee retain more than \$5,000 of federal money in their bank account for more than five business days. If for any reason the federal funds cannot be disbursed during that five day period, the Grantee will be required to return all interest earned on the federal funds to OCRA by check made payable to the U.S. Treasury. Grantees are advised to keep federal funds in non-interesting bearing accounts."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Town in noncompliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

CLERK-TREASURER  
TOWN OF FORTVILLE  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



# TOWN OF FORTVILLE

www.fortvilleindiana.org

714 East Broadway Street  
Fortville, Indiana 46040-1557

**Town Council**  
Tim Hexamer  
Bob Sterrett  
Robert Holland  
Michael Frischkorn  
Lenzy Hendrix

**Clerk-Treasurer**  
Melissa Glazier

**Town Manager**  
Joe Renner

## CORRECTIVE ACTION PLAN

### **FINDING 2013-001**

Contact Person Responsible for Corrective Action: Melissa Glazier  
Contact Phone Number: 317-485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

### Description of Corrective Action Plan:

There is now a segregation of duties between the clerk-treasurer, deputy clerk and a third-party accounting firm. I was not the clerk-treasurer at the time, but I do know it was implemented in 2016.

Anticipated Completion Date: Implemented, finished

### **FINDING 2013-002**

Contact Person Responsible for Corrective Action: Melissa Glazier  
Contact Phone Number: 317.485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

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#### Town Offices

Clerk-Treasurer  
(317) 485-4044

Town Manager  
(317) 485-4712

Town Marshal  
(317) 485-7483

Fire Department  
(317) 485-4354

Street Department  
(317) 485-6331

Utility Treatment  
(317) 485-5432

Fax  
(317) 485-4141

Description of Corrective Action Plan:

There is now segregation of duties that will prevent this from happening in the future. We have a third-party accounting firm that reviews all of this information before it is submitted.

Anticipated Completion Date: Implemented, finished

**FINDING 2013-003**


Contact Person Responsible for Corrective Action: Melissa Glazier  
Contact Phone Number: 317.485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The town has implemented a system of controls that will not allow for this to happen in the future.

Anticipated Completion Date: Implemented, finished

  
\_\_\_\_\_  
(Signature)

Clerk-Treasurer  
\_\_\_\_\_  
(Title)

August 7, 2018  
\_\_\_\_\_  
(Date)

CLERK-TREASURER  
TOWN OF FORTVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2018, with Melissa Glazier, Clerk-Treasurer; Joe Renner, Town Manager; and Timothy Hexamer, Council member.