

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FOWLER

BENTON COUNTY, INDIANA

January 1, 2014 to December 31, 2017



FILED
10/18/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa Kidwell Cynthia Gretencord	01-01-14 to 12-31-16 01-01-17 to 12-31-19
President of the Town Council	Linda K. Brouillette Steve Rettig Linda K. Brouillette	01-01-14 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FOWLER, BENTON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Fowler (Town), for the period from January 1, 2014 to December 31, 2017. 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 our Financial Statements Audit Report of the Town, which provides our opinion on the Town's financial statements. 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.

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

September 13, 2018

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CLERK-TREASURER
TOWN OF FOWLER

CLERK-TREASURER
TOWN OF FOWLER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statements Audit Report included the following funds with overdrawn cash balances at December 31, 2017:

Fund	Amount Overdrawn as of 12-31-17
General Fund	\$ 728
Motor Highways and Streets	39,863
Credit Card	1,384
Water Utility Operating	43,825

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the Indiana Gateway for Government Units financial reporting system on March 31, 2017, and February 26, 2018, that the Town had provided employees with internal control training during 2016 and 2017. Based on audit evidence, the Town failed to provide training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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](#)."

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Report B44415.

The detailed customer deposit register had not been reconciled to the customer deposit recorded under the Water Meter Deposit fund. As of December 2017, the detailed customer deposit register totaled \$76,996 and the fund balance was \$64,988, resulting in a difference of \$12,008.

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)

CLERK-TREASURER
TOWN OF FOWLER
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

There were deficiencies in the internal control system of the Town related to cash and investments, receipts, and financial transactions and reporting.

Cash and Investments

The Town had not separated incompatible activities related to cash and investment balances. Depository reconciliations of all of the bank accounts were performed by one employee without oversight or review.

Receipts

The Town had not separated incompatible activities related to receipts. One employee had the ability to receive money, create receipts, post receipts, and make deposits. That employee also had the ability to adjust receipts. Receipt adjustments are not reviewed by any other employees.

Annual Financial Report

The Town had not separated incompatible activities related to the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and financial statements. No evidence of a control, such as an oversight, review, or approval process could be identified.

The lack of internal controls was a systemic issue throughout the audit period. Due to an ineffective control process, the AFR and financial statements presented for audit included receipts that were understated by \$477,264 and disbursements that were overstated by \$452,441 for the Storm Water Fund.

Audit adjustments were proposed, approved by the Town, and made to the AFR.

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. . . .

CLERK-TREASURER
TOWN OF FOWLER
AUDIT RESULTS AND COMMENTS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B44415, entitled *DEPOSITORY RECONCILEMENTS*.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not performed timely for 24 percent of reconciliations tested.

In addition, depository reconciliations contain numerous adjustments for receipts not posted, adjustments to the financial statements, and bank to bank outstanding transactions that were not adjusted in a timely manner.

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."



TOWN OF FOWLER

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September 21, 2018

RE: Audit for Town of Fowler

I am writing in response to the Audit Results and Comments from the exit Conference held on September 13, 2018. My Term started January 1, 2017 and the audit covered the years of 2014-2017. When I first took office I was told that the books would be balanced and ready. The books were not balancing due to a theft that occurred in the previous years. An outside person with accounting experience was hired and had been working on the Bank statements but they were not in balance yet. A shortage was carried for few years on three of the bank statements and several adjustments that were not corrected. This person was very good with the bank statements but no knowledge of the software system (Keystone). Being a new Clerk I also had little knowledge of Keystone so adjustments that were made were not always done correctly. Bank statements were not done in a timely manner due to her schedule. I feel that was out of my control and at this present time the Bank Reconciliations are up to date and current.

In response to the internal controls there were some in place when I took office and we did continue



with those. This current year 2018 we have several more in place and we do have three people including the Town Board looking at all of the AP Vouchers and we have changed the receipting process so there are two people looking at all the cash and receipts entries.

The issue with the Water meter deposit fund is due to the theft that occurred in past years. This is the way the money was mainly taken and it has not been balanced since that time. We are currently working on that issue to balance accordingly each month but the out of balance from the previous years will not be able to balance and will remain that way.

I know that being a new Clerk I need training and have been getting that but this is a very demanding and difficult position. I am learning and have made several changes but only when I know or realize a change is necessary to make. At this time we are currently cross training on all duties of this office so there will be a person to overlook the duties of the other clerk's.

**Cindy Gretencord
Clerk Treasurer
Town of Fowler**

CLERK-TREASURER
TOWN OF FOWLER
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2018, with Cynthia Gretencord, Clerk-Treasurer, and Linda K. Brouillette, President of the Town Council.

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TOWN COUNCIL
TOWN OF FOWLER

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TOWN OF FOWLER
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The Town failed to provide training to personnel over the internal control standards adopted during 2016 and 2017 as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states in part:

". . . 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."

TOWN COUNCIL
TOWN OF FOWLER
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2018, with Cynthia Gretencord, Clerk-Treasurer, and Linda K. Brouillette, President of the Town Council.