

**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, 2014 to December 31, 2017



**FILED**  
10/23/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3-4
Clerk-Treasurer	
Audit Results and Comments:	
Condition of Records.....	6
Internal Controls.....	7
Compensation and Benefits.....	7
Official Response.....	8-9
Exit Conference .....	10

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Stafford Sherry Durbin (Vacant) Melissa Glazier	01-01-14 to 12-31-15 01-01-16 to 10-31-16 11-01-16 to 11-07-16 11-08-16 to 12-31-19
President of the Town Council	William Hiday Michael Frischkorn	01-01-14 to 12-31-17 01-01-18 to 12-31-18
Utility Superintendent	Joe Renner	01-01-14 to 12-31-18
Town Manager	Joe Renner	01-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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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, 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/](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.

*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  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

Depository reconciliations of the fund balance to the bank account balance for the Online Utility Holding fund were not presented for audit for 24 months of the audit period, from January 2014 to December 2015. In addition, adjusted bank balances for the Online Utility Holding fund at December 31, 2014, and December 31, 2015, were not in agreement with the Town's ending cash balances for the fund.

The Town utilized the Online Utility Holding fund to receive utility payments and transfer out funds received into the applicable water, sewer, and stormwater funds. In 2014 and 2015, errors were made in the recording of transfers out of the Online Utility Holding fund. For 2014, individual transfers were recorded in the ledger multiple times, resulting in an overstatement of disbursements of \$47,361 for 2014. In 2015, no transfers from the Online Utility Holding fund were recorded in the ledger during October and November, resulting in \$76,004 in disbursements not posted.

Adjustments were proposed and accepted by the Town and made to the financial statements to correct the errors noted above. After adjustments, the Online Utility Holding fund was cash short in the amount of \$23,369 at December 31, 2014, and cash short in the amount of \$13,980 at December 31, 2015. However, additional reconciling items or adjustments could have remained unidentified. The Town hired a consultant who identified the errors and the Town corrected the errors in January 2016 and, beginning January 2016, monthly depository reconciliations for the Online Utility Holding fund were completed and agreed to the Town's fund balances.

In addition, during 2015 the balances and transactions for one bank account were not recorded in the Town's ledger and not reported in the financial statements. This resulted in an understatement of receipts and disbursements in the amount of \$24,055 for the BONY SRF WWTP 2012 fund for 2015.

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)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



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

**INTERNAL CONTROLS**

The Town did not properly design a system of internal controls related to receipts. The Town did not segregate incompatible duties. Three individuals performed all functions related to cash receipts including receiving the funds, posting the receipts to individual accounts, posting receipts to the cash summary reports, and depositing the receipts to the bank accounts.

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. . . ."

**COMPENSATION AND BENEFITS**

The Town Council authorized a longevity compensation benefit to be paid, where each full-time employee received \$200 per year for each year of continuous service. The benefit was calculated on completed years of service and received in the following year, with a maximum benefit of \$5,600 earned per year. From 2014 through 2016, the Town Manager's longevity pay was calculated with an additional year of service, resulting in an additional \$600 earned and paid in longevity for 2014 through 2016. We requested the Town pursue collection of the overpayment from the employee.

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



# 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

The following statement is in response to the "Audit Results and Comments" dated August 17, 2018 and provided to the Town of Fortville.

## CONDITION OF RECORDS

The Town was aware of the reported issues related to the online utility holding account. The Town Council at that time attempted to address the issues, including formally requesting the Clerk-Treasurer to resign her position and consistently raising questions about the Clerk-Treasurer's performance (or non-performance) of her duties in public meetings. But, the Council's authority was limited as the Clerk-Treasurer is an independent elected official.

The Town Council and Town management determined that the Town's accounts were not being properly reconciled by the then-Clerk-Treasurer. The Town retained an outside bookkeeping firm to reconcile the Town's accounts. In the reconciliation process, the Town discovered that the then-Clerk-Treasurer had not made the transfers between utility funds. Once the account was reconciled, the transfers were brought current. With a new Clerk-Treasurer taking office in late 2016 and the account being reconciled, the Clerk-Treasurer ensures that accounts are reconciled each month and transfers are made in a timely and consistent basis in accordance with applicable laws and Town policies. Further, the Clerk-Treasurer records all disbursements and receipts and has instituted a system for maintaining supporting documentation (backup) for transactions.

## INTERNAL CONTROLS

The Town is aware of having had internal control issues in the past, many of which were directly attributable to the then-Clerk-Treasurer, and when these issues arose, the Town attempted to address them; however, the then-Clerk-Treasurer often refused to implement the policies or cooperate with the Town Council and Town Manager/Utility Superintendent. Additionally, in 2014 the Utilities Manager was removed from her position after ignoring a direct order and giving access to programs which resulted in unapproved changes and errors within the utility payment and account system.

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### Town Offices

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

The Town has adopted new procedures to improve internal controls related to financial transactions and reporting, including segregation of duties. In addition, the Town is developing written procedures for all job functions related to finance to ensure that each job function will be executed in compliance with the requirements for internal controls. Every position related to Town finances is being evaluated during this process.

The Town continues to look for ways to improve upon the internal controls and has included more checks and balances along with segregation of duties within the organization.

#### COMPENSATION AND BENEFITS

In regard to a longevity compensation benefit issue, the Town has retained an outside bookkeeping firm to review payroll at the beginning of each year to make sure payroll adheres to the salary ordinances, resolutions, or salary schedules adopted by the Town.

#### FEDERAL GRANTS

The Town is aware of issues that have occurred in regard to the Schedule of Expenditures of Federal Awards (SEFA) and related matters – another issue resulting from the former Clerk-Treasurer's practices. The Town has implemented a grant tracking system to ensure that federal awards and grants are being used appropriately and are being paid out as required by the funders.

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, Town Council member.