

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, 2015 to December 31, 2018



FILED
10/09/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wanda Seidler	01-01-15 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
	Thomas P. Gilson	10-01-15 to 04-05-18
President of the Town Council	Jayna Haldeman	04-06-18 to 12-31-19
	Alan F. Jones	01-01-15 to 12-31-15
	Curt Leonard	01-01-16 to 12-31-17
	C.J. Haller	01-01-18 to 12-31-18
	Bill Ashcraft	01-01-19 to 12-31-19



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

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

This report is supplemental to our audit report of the Town of Fillmore (Town), for the period from January 1, 2015 to December 31, 2018. 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

August 15, 2019

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CLERK-TREASURER
TOWN OF FILLMORE

CLERK-TREASURER
TOWN OF FILLMORE
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Town's Annual Financial Reports for 2015 and 2016 were not filed electronically until April 5, 2016, and November 2, 2017, respectively, which was 36 and 246 days past the due date.

Criteria

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](#)."

BOARD MINUTES MISSING

Condition and Context

Board minutes for 40 of 48 Town Council meetings during the audit period were not available for audit.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

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

CAPITAL ASSETS

Condition and Context

The Town did not have a capital assets policy, nor had the Town maintained an up-to-date complete detail listing of all capital assets owned. No amounts were reported on the Town's Capital Asset Schedule as part of the Town's 2018 annual Indiana Gateway for Government Units (Gateway) submission.

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)

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

Condition and Context

The same comment also appeared in prior Report B46101.

Several posting errors were noted during the course of the audit as follows:

1. Bond payments made for the Water Utility and Wastewater Utility revenue bonds were inconsistently paid from the appropriate bond and interest funds during the audit period. Five payments for the wastewater revenue bonds were paid from the Wastewater Operating fund totaling \$70,146, one payment for the water bonds was paid from the Wastewater Operating fund in the amount of \$15,755, and another payment for the water bonds was paid from the Water Operating fund in the amount of \$16,530.
2. Interest earned on checking accounts was not posted to the Town's ledger from January 2015 through July 2018.
3. Seven local property tax distribution receipts tested were posted to incorrect funds, totaling \$3,236 for the audit period.

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

Criteria

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)

OVERDRAWN CASH BALANCES

Condition and Context

The same comment also appeared in prior Report B46101.

The financial statements included the following funds with overdrawn cash balances at December 31, 2016, December 31, 2017, and December 31, 2018:

Fund	December 31,		
	2016 Amount Overdrawn	2017 Amount Overdrawn	2018 Amount Overdrawn
General	\$ 4,141	\$ 11,762	\$ -
Ww Bond And Interest	1,054	1,019	-
Previous Clerk Late Fee and Int	-	-	7,394

Criteria

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

Condition and Context

The Clerk-Treasurer incorrectly certified on Gateway that the Town had adopted internal control standards and that Town personnel had received training regarding internal control standards. The Town had not adopted internal control standards, nor ensured that personnel received training regarding internal control standards as of the end of the audit period.

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

Criteria

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](#)."

RECORD OF HOURS WORKED

Condition and Context

For 90 percent of the payroll disbursements tested for compliance, no attendance or time records were kept, and were therefore unavailable for audit.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

COMPENSATION AND BENEFITS

Condition and Context

For 63 percent of payroll disbursements tested for compliance, evidence such as signed or initialed payroll claims/vouchers or voucher registers were not retained for audit to indicate that the payroll disbursements had been approved by the appropriate official/department head or the fiscal officer.

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

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

A similar comment also appeared in prior Report B46101, entitled *APPROVAL OF ACCOUNTS PAYABLE VOUCHERS*.

A test of accounts payable vouchers identified the following deficiencies:

1. Of the vouchers tested, 10 percent did not have adequate supporting documentation identifying the items or services purchased.
2. Of the vouchers tested, 15 percent did not have proper approval by the Clerk-Treasurer.
3. Of the vouchers tested, 10 percent did not have proper approval by the Town Council.

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. . . ."

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

INTERNAL CONTROLS

Condition and Context

Several deficiencies in the internal control system of the Town related to financial transactions and reporting were noted:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, the notes to the financial statements, and financial close and reporting. The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. No review, approval, or oversight processes were identified for cash and investments, receipts, disbursements, the notes to the financial statements, or financial close and reporting.

Information and Communication: The Town had no process in place for communicating information related to proper financial reporting.

Monitoring: The Town had no process in place to monitor the effectiveness of the Town's controls over time.

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, information and communication, and monitoring. 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. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

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

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CLERK-TREASURER
TOWN OF FILLMORE
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2019, with Jayna Haldeman, Clerk-Treasurer; C.J. Huller, Town Council member; and Robin Duncan, Town Council member.

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TOWN COUNCIL
TOWN OF FILLMORE

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TOWN OF FILLMORE
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council (the unit's legislative body) did not ensure that internal control standards as defined by the Indiana State Board of Accounts was adopted by the Town.

Criteria

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

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

As of the end of the audit period, Town and Utility personnel had not received training on internal control standards.

Criteria

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

"After June 30, 2016, 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 FILLMORE
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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- (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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TOWN OF FILLMORE
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