

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FRANCESVILLE

PULASKI COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED

12/05/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Bennet Cathy Elston	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Town Council	Andy Durham Lynn Johns	01-01-15 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF FRANCESVILLE, PULAKSI COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Francesville (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

October 22, 2019

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CLERK-TREASURER
TOWN OF FRANCESVILLE

CLERK-TREASURER
TOWN OF FRANCESVILLE
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

Cash and Investments

The Town did not have effective controls in place to ensure that bank reconciliations were prepared and reviewed for all accounts. The Utility Clearing fund and investments were not reconciled during the audit period.

Receipts and Disbursements

The Town did not have controls in place to ensure accurate recording and reporting of receipts and disbursements. The Clerk-Treasurer was solely responsible for the receipting and disbursing process. There was no oversight or review process over the receipts and disbursements.

Financial Reporting

The Town did not have controls in place to ensure the accuracy of the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. One person entered the information into Gateway without proper oversight or review.

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. . . ."

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

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer certified on the Annual Financial Report that appropriate personnel were trained on internal control standards. However, personnel did not receive the internal control training; therefore, the certification was incorrect.

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](#)."

TRANSFERS

Condition and Context

Transfers between funds were not always supported by appropriate documentation, approved by the governing board, or recorded timely.

Transfers from Sewer Operating and Water Utility-Operating funds to Sewer and Water Improvement funds did not have supporting documentation for 54 transfers examined. In 2015, 2016, and 2017, 60 transfers were made from the Utility Clearing fund to the Water Utility-Operating, Sewer Operating, and Sanitation funds that were not approved by the governing board. In 2018, 36 transfers totaling \$444,880 were recorded in the utility funds, but the checks were not issued from the Utility Clearing fund until year end.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Manual for Cities and Towns, Chapter 1)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

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)

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

TOWN OF FRANCESVILLE

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francesvillect@urhere.net

INTERNAL CONTROLS

Cash & Investments:

The new Clerk-Treasurer took office in 2019. The SBOA audit looked at records for 2015-2018 the previous Clerk-Treasurer's work. As of 2019, the Clerk-Treasurer has one (1) town board member looking over the bank reconciliations on all accounts and initialing that it was audited. The Utility Clearing fund and investments were not being reconciled during the audit period (2015-2018) but currently as of 2019, the 2019 Clerk-Treasurer currently reconciles the Utility Clearing fund & Investments and has one (1) town board auditing the reconciliations and initialing as well.

Receipts & Disbursements:

As of October 2019, controls have been put into place on the reporting of receipts and disbursements. The Clerk-Treasurer currently prints off reports for revenue & appropriations for the town board to look over at the 1st meeting of the month. This report would be for the prior month's receipts and disbursements. The Town Board members will then initial off on the report. As of 2019, the Clerk-Treasurer presents the Town Board with a current fund report at each meeting of the month for them to look over and initial as well.

Financial Reporting:

Plans are in place to have the town board look over the financial information & statements prior to loading into Gateway.

CERTIFICATION ON INTERNAL CONTROL STANDARDS

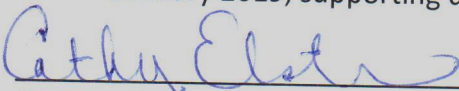
Conditions & Context:

As of 2019, the Clerk-Treasurer, Town Board, Town Employees & Marshall have viewed the video on Internal Control and signed. Each form is put in their personnel folder. Should a new employee be hired in the future that person will view the video as well.

TRANSFERS

Conditions & Context:

As of 2019, the Town makes monthly withdrawals from the Utility Clearing Account to deposit into the Water Operating, Sewer Operating and Sanitation funds which then show up on the Account Register which the Town Board signs twice a month. As of January 2019, supporting documentation on transfers is attached to all vouchers.



Signature
Clerk-Treasurer

Title
10/29/19

Date

CLERK-TREASURER
TOWN OF FRANCESVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, with Cathy Elston, Clerk-Treasurer, and Lynn Johns, President of the Town Council.

TOWN COUNCIL
TOWN OF FRANCESVILLE

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AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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TOWN COUNCIL
TOWN OF FRANCESVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council adopted an internal control ordinance; however, they did not ensure that all officers, elected officials, and employees received training concerning those internal controls standards and procedures.

Criteria

Indiana Code 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 FRANCESVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2019, with Cathy Elston, Clerk-Treasurer, and Lynn Johns, President of the Town Council.