

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, 2018 to December 31, 2021



FILED
01/03/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia Gretencord Sara Finley	01-01-18 to 12-31-20 01-01-21 to 12-31-22
President of the Town Council	Linda Brouillette	01-01-18 to 12-31-22



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, 2018 to December 31, 2021. 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 opinions 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 13, 2022

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CLERK-TREASURER
TOWN OF FOWLER

CLERK-TREASURER
TOWN OF FOWLER
AUDIT RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The same comment appeared in prior Reports B44415 and B51105.

Condition and Context

The detailed customer deposit register had not been reconciled to the customer deposit recorded under the Water Utility Meter Deposit fund. As of December 2021, the detailed customer deposit register totaled \$62,298, and the fund balance was \$76,646, resulting in an unidentified difference of \$14,348.

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)

INTERNAL CONTROLS

Similar comments appeared in prior reports B44415 and B51105, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the Town related to receipts and disbursements.

Receipts

The Town had not separated incompatible activities related to receipts. The Clerk-Treasurer and office employees received money, created receipts, recorded receipts, adjusted receipts, and made deposits without an oversight or approval process.

Disbursements

The Town had not separated incompatible activities related to disbursements. The Clerk-Treasurer and office staff entered vendors into the software program, adjusted vendor information, entered in new employees, and adjusted employee information without an oversight or approval process.

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:

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

"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. . . ."

CAPITAL ASSETS

Condition and Context

The Town did not maintain a complete detailed listing of capital assets. Newer assets were recorded into the software system, and an older listing was available for audit; however, neither record was complete and neither reflected acquisition values. In addition, a complete verification of physical inventory could not be conducted due to incomplete records.

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)

SUPPLEMENTAL SCHEDULE IN THE ANNUAL FINANCIAL REPORT

Condition and Context

The Schedule of Capital Assets in the Annual Financial Report (AFR), as reported on the Indiana Gateway for Government Units financial reporting system, was not accurate or complete as stated in the Capital Assets Audit Result and Comment above. Due to material errors, the Town did not present the Schedule of Capital Assets in the Financial Statements Audit Report.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

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

CORONAVIRUS RELIEF FUND (CRF)

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

The Town receipted the Indiana Finance Authority (IFA) reimbursement of \$74,036 for health and safety payroll costs into the CARES Relief fund. The expenditures upon which the reimbursement were based should have been reversed and recorded in the CARES Relief fund, or the reimbursed amount transferred through the claims process to the General Fund, which would have allowed the money to be expended for any General Fund purpose. Either of these two methods would have allowed for the proper processing and recording of the CRF reimbursement. The Town had a December 31, 2020 year-end balance of \$74,036 in the CARES Relief fund.

During 2021, the Town spent \$73,678 directly out of the CARES Relief fund for various non-payroll related items. The fund was not appropriated. As of December 31, 2021, the CARES Relief fund had a balance of \$359 which should be claimed to the General Fund, which would allow for the money to be expended for any General Fund purpose.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.* . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER
TOWN OF FOWLER
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2022, with Sara Finley, Clerk-Treasurer; Linda Brouillette, President of the Town Council; and Jason Fisher, Town Council member.