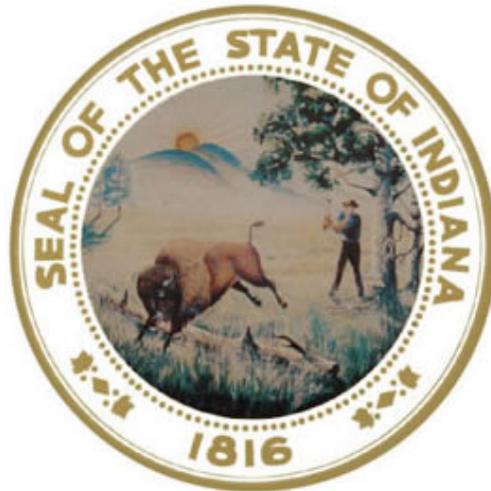


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF  
COUNTY AUDITOR  
FOUNTAIN COUNTY, INDIANA  
January 1, 2011 to December 31, 2011



**FILED**  
05/31/2012



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Colleen Chambers	01-01-09 to 12-31-12
President of the County Council	Richard Klage	01-01-11 to 12-31-12
President of the Board of County Commissioners	Walter R. Wilson	01-01-11 to 12-31-12



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF FOUNTAIN COUNTY

We have audited the records of the County Auditor for the period from January 1, 2011 to December 31, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Financial Statement and Federal Single Audit Report of Fountain County for the year 2011.

STATE BOARD OF ACCOUNTS

April 26, 2012

COUNTY AUDITOR  
FOUNTAIN COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the County to reduce risks to achievement of financial reporting objectives. The County has not separated incompatible activities related to disbursements, payroll and related liabilities. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the County Commissioners to monitor and assess the quality of the County's system of internal control. The County Commissioners have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the County at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the County has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
FOUNTAIN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

The County did not comply with directives of the Indiana Office of Community and Rural Affairs in relation to reporting requirements for their Community Development Block Grant.

Semiannual Reports for the Community Development Block Grant were not properly prepared. The grant administrator did not keep a cash control register or a local match ledger as a cumulative record of project receipts and expenditures.

The report for the period ended June 30, 2011, was submitted on June 23, 2011. The improper cut-off date could have caused expenditures to be omitted that should have been reported. Expenditures totaling \$32,000 were omitted from the report. These expenditures were actually paid on June 20, 2011, and should have been included in the total amount expended to date.

The report for the period ended December 31, 2011, reported local matching expenditures of \$109,077.80. The unit's records show only \$84,097 plus accumulated in-kind contributions of \$4,673.98 totaling \$88,770.98. When questioned, the grant administrator, Anita Carpenter, could not provide a detailed listing of project expenditures. She subsequently obtained a report from the County Highway Department which showed in-kind contributions, which was used to obtain the amount shown above. When the reported amount still could not be verified, she stated that a revised report had been submitted January 31, 2012, which include costs for the engineer, grant administrator, and in-kind contributions totaling \$84,485.98. This omits \$4,285 in expenditures shown on the unit's ledger. A revised report was not received by the pass-through entity.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
FOUNTAIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2012, with Colleen Chambers, Auditor; Thomas P. O'Connor, County Attorney; and Walter R. Wilson, President of the Board of County Commissioners. The officials concurred with our audit findings.