

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

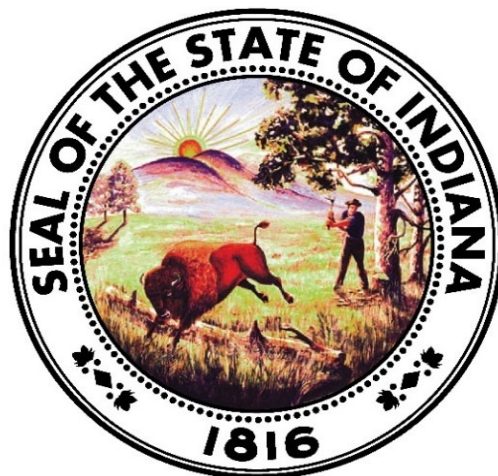
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FAIRMOUNT

GRANT COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
09/12/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jo Ann Treon	01-01-22 to 12-31-23
President of the Town Council	Jane Sickman Steve Hedrick	01-01-22 to 05-08-22 05-09-22 to 12-31-23



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 FAIRMOUNT, GRANT COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fairmount (Town), for the period from January 1, 2022 to December 31, 2022. 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 the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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

August 29, 2023

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CLERK-TREASURER
TOWN OF FAIRMOUNT

CLERK-TREASURER
TOWN OF FAIRMOUNT
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Town maintained a Capital Asset Ledger to reflect capital assets owned at their acquisition value. However, additions and deletions of capital assets tested revealed that two police vehicles and a lift were not properly reported in the Capital Asset Ledger. In addition, the Wastewater construction project was not reported in the Capital Asset Ledger as Construction in Progress (CIP). Furthermore, a complete physical inventory had not been taken annually as required by the Town's capital asset policy.

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)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60458, entitled *PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town failed to properly review the information prepared and submitted in Gateway. Although one employee prepared and entered the information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow for correction of the following errors prior to submission.

Grants

1. The Water and Waste Disposal Systems for Rural Communities (ALN 10.760) grant expenditures were overstated by \$131,666.
2. Other errors included incorrect program names and identification as a pass-through award instead of a direct grant.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report for the Town.

Leases and Debt

1. The Town overstated the ending principal balance of its General Obligation Bonds by \$32,100.

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

2. The Town understated the ending principal balance and the principal due in one year for the Jet Vac Truck loan payable by \$100,749, and \$22,293, respectively.
3. The Town understated the ending principal balance of its 2014 Wastewater Revenue Bonds by \$95,400.
4. The Town understated the ending principal balance of its 2021 Wastewater Revenue Bonds by \$5,000.

Audit adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report for the Town.

Capital Assets

The capital assets information entered into Gateway did not reflect the financial activity of the Town. Disbursements for the Wastewater Construction Sewer Separation project were not reported as Construction in Progress (CIP). As a result, CIP was materially understated at December 31, 2022. The Town approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report for the Town.

Detail of Disbursements

The Payroll fund disbursements were reported correctly in total, but were incorrectly categorized by disbursement type. They were categorized as personal services and supplies instead of other disbursements.

Audit adjustments were proposed, accepted by the Town, and made to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report for the Town.

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 FAIRMOUNT
AUDIT RESULTS AND COMMENTS
(Continued)

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](#)."

FINANCIAL TRANSACTIONS AND REPORTING - UTILITY BILLING ERRORS

Condition and Context

The Town did not have adequate internal controls over utility billings. Utility billings for two multi-unit customers were not billed properly due to manual adjustments in consumption usage and the billed amount. As such, these two customers were significantly under billed for the period of October 2021 to October 2022. The issue was identified by the Town and corrected with the November 2022 billing. However, the Town did not retroactively bill or collect amounts due from these two customers for the amounts under billed during October 2021 to October 2022. We were unable to determine the actual amount of revenue lost.

Criteria

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Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

CUSTOMER DEPOSIT REGISTER

The same comment also appeared in prior Report B60458.

Condition and Context

The Town did not have adequate internal controls in place to ensure that the Customer Deposit Detail ledger (subsidiary ledger) agreed with the cash fund balance of the corresponding Water Utility - Customer Deposit fund (control).

Reconciliations of the control balance of the meter deposit accounts to the subsidiary ledger detail of meter deposits by customer were not performed or presented for audit.

Criteria

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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. . . ."

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)

ORDINANCES AND RESOLUTIONS - WATER UTILITY RATES

Condition and Context

The Town was not billing water utility customers in accordance with Ordinance #5-2022 (Amending Water Rate and Uses Ordinance) effective July 1, 2022 (Ordinance). The rates billed to customers from July 2022 to December 2022 did not agree with the rates approved by the Ordinance.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF FAIRMOUNT
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Jo Ann Treon, Clerk-Treasurer, and Karen Pollen, Town Council member.