

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FREMONT

STEUBEN COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
10/17/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary K. Parsons	01-01-21 to 12-31-23
President of the Town Council	C. Steven Brown	01-01-21 to 12-31-23



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 FREMONT, STEUBEN COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fremont (Town), for the period from January 1, 2021 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

October 2, 2023

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CLERK-TREASURER
TOWN OF FREMONT

CLERK-TREASURER
TOWN OF FREMONT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

The Town did not implement proper internal control activities related to receipts, that would include the segregation of incompatible duties. The failure to establish internal controls could enable material misstatements to go undetected.

As of September 2022, there was no oversight or monitoring of receipts to ensure the timely and proper recording of funds received. One employee posted the receipts to the general ledger with no evidence to support a review by a separate employee.

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. . . ."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial 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 capital assets information entered into Gateway contained the following errors at December 31, 2022:

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

Governmental Activities

1. Land was overstated by \$47,500.
2. Infrastructure was overstated by \$662,344.
3. Buildings were understated by \$54,420.
4. Improvements other than buildings were understated by \$410,986.
5. Machinery, equipment, and vehicles were overstated by \$94,962.

Wastewater

1. Infrastructure was overstated by \$2,866.
2. Machinery, equipment, and vehicles were overstated by \$22,632.

Water

1. Infrastructure was overstated by \$149,078.
2. Buildings were overstated by \$3,108.
3. Improvements other than buildings were understated by \$149,075.
4. Construction in progress was overstated by \$30,282.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report for the Town.

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
Mary K. (Kathy) Parsons
Office: 260-495-7805
Fax: 260-495-2446
fremontct@townoffremont.org

Steve Brown – Council President
Town Council Members
Linda Fulton Ashlee Hoos
Dr. William Stitt Barry Wilcox
www.townoffremont.org

October 3, 2023

Indiana State Board of Accounts
302 West Washington St Room E418
Indianapolis, IN, 46204-2765

Official Response – Town of Fremont Report

Receipts & Capital Assets

Dear Mr. Joyce,

This letter is in response to the finding that the receipts entered into the Fund were not verified for a short period in 2022. Our process for receipts is the money and deposit slip are prepared and checked and signed off by two different people before being deposited in the bank. The receipt is then entered into the Fund program and checked against the deposit slip for accuracy. The receipt is again verified during the bank reconciliation process to assure the receipt matches the bank and the Fund to assure that it was receipted into the correct fund and balances with the bank. In our opinion, this does not show a deficiency in internal controls. However, with that being said, going forward, we will have each receipt or the daily total that is entered into the Fund, be initialed by two different people as well. It is our understanding that should correct what was perceived during audit as a deficiency. In regards to the Capital Assets with some overstatements and understatements, unfortunately, we are not appraisers or assessors. We have decided to hire a third-party company who specializes in Capital Assets to give us a more accurate value.

Thank you for bringing this to our attention and for the opportunity to respond to the Audit for 2021 and 2022.

Respectfully,

Mary K Parsons, IAMC, MMC, CPFA, ACPFIM, CMO, CPM
Clerk-Treasurer
Town of Fremont

CLERK-TREASURER
TOWN OF FREMONT
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2023, with Mary K. Parsons, Clerk-Treasurer; Christopher A. Snyder, Town Court Judge; and Linda Fulton, Vice President of the Town Council.