

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

**Paul D. Joyce, CPA
State Examiner**

COMPLIANCE ENGAGEMENT REPORT

OF

FAIRMOUNT TOWNSHIP

GRANT COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

12/26/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Curt Hackney Rick Savage	01-01-20 to 12-31-22 01-01-23 to 12-31-24
Chair of the Township Board	Cindy Dunlap	01-01-20 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF FAIRMOUNT TOWNSHIP, GRANT COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Fairmount Township (Township), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Rick Savage, Trustee; Kathy Savage, Bookkeeper; Cindy Dunlap, Chair of the Township Board; Hunter Wolf, Township Board member; and Patryce Loftin, Township Board member, on October 21, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 9, 2024

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS

INTERNAL CONTROLS

Condition and Context

Adequate internal controls were not in place to ensure compliance with applicable laws and regulations. The following noncompliance issues were noted and detailed further in the comments below:

- Annual Financial Report
- Bank Reconciliations
- Condition of Records
- Salary Ordinance
- Compensation and Benefits
- Contracts
- Township Assistance Standards
- Adoption of, and Training on, Internal Control Standards
- Training and Certification on Internal Control Standards
- Capital Assets
- Prescribed Forms

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

A similar comment also appeared in prior Reports B47149 and B55491.

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

Condition and Context

Internal controls were not in place to ensure the Annual Financial Reports (AFR) were submitted accurately. The beginning and ending balances of the AFRs filed on the Indiana Gateway for Government Units financial reporting system did not agree with the Township's financial records for 2020, 2021, and 2022. The difference was \$257,098, which was related to incorrect reporting of investments. Investments reported as part of the AFR were \$257,098 for 2020, 2021, and 2022 and \$0 for 2023. Actual investments at December 31, 2020, 2021, 2022, and 2023, were \$124,392, \$126,494, \$64,987, and \$74,087, respectively.

Adjustments were recommended, approved by the Trustee, and made to the financial statements presented in this report.

Additionally, capital assets categorized as machinery and equipment were reported in the AFR for 2020, 2021, 2022, and 2023 of \$217,440 each year. No detailed record of assets was available to verify these amounts.

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 as set forth in the uniform compliance guidelines. 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](#)."

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Reports B47149 and B55491.

Condition and context

Effective internal controls were not in place to ensure bank reconciliations were properly performed. There was evidence that a monthly comparison between activity on the bank statements and activity in the financial ledgers was performed, and most months included an outstanding check list that was prepared. However, there was no evidence presented showing the bank balances reconciled to the financial ledger.

Based on procedures performed by the Indiana State Board of Accounts, the bank did not reconcile to the financial records at December 31, 2020, 2021, or 2022. For 2020, the bank was higher by \$15,535. For 2021, the bank was higher by \$18,914. For 2022, the bank was lower by \$41,613. In 2023, the Township recorded an adjusting entry of \$41,613 as a disbursement to make the bank and financial records reconcile. The Township was not able to provide any supporting documentation to explain the amount or reason for the disbursement adjustment.

Criteria

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."

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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 Townships, Chapter 1)

CONDITION OF RECORDS

Condition and Context

Effective internal controls were not in place to ensure the Township's financial ledger transactions and cash balances were accurate and valid.

The Township had investments in the form of certificates of deposit (CD). One of these CDs matured in February 2022 for \$62,955 and was cashed and deposited into the Township checking account. It was then posted in the financial ledger as a receipt to the Cumulative Fire Fund. The value of the CD was already included in the fund balances on the financial ledger, so this resulted in an overstatement of the fund balance.

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 Townships, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

SALARY RESOLUTION

The same comment appeared in prior Report B55491.

Condition and Context

Internal controls were not in place to ensure a salary resolution was properly approved. A Resolution Establishing Salaries of Township Officers and Employees (Form 17) was not provided for 2020 through 2023 documenting Township Board approval of compensation.

Criteria

Indiana Code 36-6-6-10(c) states in part: "The township legislative body shall fix the compensation of all officers and employees of the Township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. . . ."

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Condition and Context

The Township began paying the Trustee's wife as Bookkeeper in June 2022. This was approved by the Township Board at the June 14, 2022 meeting, but the Township Board minutes did not document a rate of pay. The Bookkeeper was originally paid \$400 a month with no indication of withholdings being withheld. The first three quarterly 941 reports of federal taxes in 2022, which covered the months of January-September, only included the Trustee's wages. The fourth quarter 941 reported the Trustee's wages and an additional \$3,360 in gross wages. The salary reported for the Bookkeeper on the Certified Report of Names, Addresses, Duties, and Compensation of Public Employee Form 100R filed in the Indiana Gateway for Government Units financial reporting system was \$2,800. Gross wages of \$3,360 were reported on the Bookkeeper's W-2, and it included amounts for federal, social security, and Medicare withholdings. Due to lack of supporting documentation, the Indiana State Board of Accounts was unable to determine if the Bookkeeper was properly paid.

In 2023, the new Trustee's wife was paid \$400 a month with an additional \$80 allocated to withholdings until they were informed that this violated the Indiana Code on Nepotism. The new Bookkeeper was paid from January-October.

State and local taxes were not withheld from pay. Township Board members were paid \$600 a year. No withholdings were withheld for Township Board members, and no Form W-2s or Form 1099s were issued to Township Board members.

Criteria

Indiana Code 4-2-6-16 states:

"(a) This chapter does not prohibit the continuation of a job assignment that existed on July 1, 2012.

(b) As used in this section, 'employed' refers to all employment, including full-time, part-time, temporary, intermittent, or hourly. The term includes service as a state officer or special state appointee.

(c) An individual employed in an agency may not hire a relative.

(d) Except as provided in subsection (e), an individual may not be employed in the same agency in which an individual's relative is the appointing authority.

(e) An individual may be employed in the same agency in which the individual's relative is the appointing authority, if the individual has been employed in the same agency for at least twelve (12) consecutive months immediately preceding the date the individual's relative becomes the appointing authority.

(f) Except as provided in subsection (e), an individual may not be placed in a relative's direct line of supervision.

(g) An individual employed in an agency may not contract with or supervise the work of a business entity of which a relative is a partner, executive officer, or sole proprietor.

(h) Any person within an agency who knowingly participates in a violation of this chapter is subject to the penalties set forth in section 12 of this chapter."

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

CONTRACTS

Condition and Context

Internal controls were not in place to ensure that the Township had written agreements for all contractual services. Contracts or written agreements were not provided to cover the amount paid for office rent paid to the Trustee, fire barn rental with the Town of Fairmount, or agreed-upon rates for voluntary fire services.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

TOWNSHIP ASSISTANCE STANDARDS

A similar comment also appeared in prior Reports B47149 and B55491.

Condition and Context

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1.

Criteria

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment appeared in prior Report B55491.

Condition and Context

Internal controls were not in place to ensure that the Township Board adopted the minimum level of internal control standards and procedures or that the appropriate personnel were properly trained as required by statute.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment appeared in prior Report B55491, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

Internal controls were not in place to ensure the correct certifications on internal control standards and training was made. The Trustee certified on the Indiana Gateway for Government Units financial reporting system that the Township Board had adopted internal control standards and trained required personnel. However, the Township Board had not formally adopted internal control standards, and personnel had not received the internal control training.

FAIRMOUNT TOWNSHIP, GRANT COUNTY
COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with applicable laws and regulations for capital assets. A capital asset policy that detailed the threshold at which an item is considered a capital asset was not presented. Additionally, the Township did not provide a detailed listing of assets or evidence that inventory was performed every two years.

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 Townships, Chapter 1)

PRESCRIBED FORMS

Condition and Context

Internal controls were not in place to ensure required forms prescribed by the Indiana State Board of Accounts were in use. Of the 20 Township Assistance applications tested, all 20 Township Assistance disbursements did not have a TA-1A - Notice of Township Assistance Action form.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)



STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

FAIRMOUNT TOWNSHIP, GRANT COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Township	\$ 36,707	\$ 11,603	\$ 32,469	\$ 15,841	\$ 26,802	\$ 29,725	\$ 12,918
Township Assistance	480	30,012	7,945	22,547	18,620	11,743	29,424
Fire Fighting	87,301	73,480	33,477	127,304	68,485	51,189	144,600
Cumulative Fire Fund	<u>75,321</u>	<u>23,401</u>	<u>10,240</u>	<u>88,482</u>	<u>23,784</u>	<u>-</u>	<u>112,266</u>
Totals	<u>\$ 199,809</u>	<u>\$ 138,496</u>	<u>\$ 84,131</u>	<u>\$ 254,174</u>	<u>\$ 137,691</u>	<u>\$ 92,657</u>	<u>\$ 299,208</u>

FAIRMOUNT TOWNSHIP, GRANT COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 12,918	\$ 43,276	\$ 34,926	\$ 21,268	\$ 30,983	\$ 37,036	\$ 15,215
Township Assistance	29,424	7,378	11,521	25,281	23,921	15,292	33,910
Fire Fighting	144,600	81,500	58,068	168,032	75,307	106,872	136,467
Cumulative Fire Fund	112,266	86,964	-	199,230	30,119	-	229,349
Donations	-	-	-	-	10,400	2,190	8,210
Totals	\$ 299,208	\$ 219,118	\$ 104,515	\$ 413,811	\$ 170,730	\$ 161,390	\$ 423,151