

**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, 2014 to December 31, 2014



**FILED**  
12/29/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jo Ann Treon	01-01-12 to 12-31-19
President of the Town Council	Melba M. Root	01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Fairmount (Town), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

November 30, 2016

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CLERK-TREASURER  
TOWN OF FAIRMOUNT

CLERK-TREASURER  
TOWN OF FAIRMOUNT  
FEDERAL FINDINGS

**FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

*Criteria*

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 Cities and Towns, Chapter 7)

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

We noted the following deficiencies in the internal control system of the Town related to financial transactions and reporting. The following deficiencies constituted material weaknesses.

CLERK-TREASURER  
TOWN OF FAIRMOUNT  
FEDERAL FINDINGS  
(Continued)

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to receipts, disbursements, payroll, cash and investment balances, and financial close and reporting. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: The Town had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The Town's financial statement (Gateway Report) was not being reviewed by another person.
3. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.

*Criteria*

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 Cities and Towns, Chapter 7)

*Cause*

Management of the Town had not established a proper system of internal control.

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

# TOWN OF FAIRMOUNT

214 WEST WASHINGTON STREET  
FAIRMOUNT, INDIANA 46928

## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

Contact Person Responsible for Corrective Action: Jo Ann Treon  
Contact Phone Number: 765-948-4632

**Views of Responsible Official: We agree with the finding.**

### **Description of Corrective Action Plan:**

After the Clerk-Treasurer enters the Schedule of Expenditures of Federal Awards (SEFA) into Gateway, it will be printed off. The Water Clerk will review the document to determine that all information entered is correct. The Water Clerk will sign the printed document and then the SEFA will be submitted. The signed document will be retained in the Grant File.

**Anticipated Completion Date: Immediately**



Jo Ann Treon

Clerk-Treasurer

11/30/2016



VISIT FAIRMOUNT DURING MUSEUM DAYS - LAST WEEKEND IN SEPTEMBER  
(JAMES DEAN'S HOMETOWN)

# TOWN OF FAIRMOUNT

214 WEST WASHINGTON STREET  
FAIRMOUNT, INDIANA 46928

## CORRECTIVE ACTION PLAN

### **FINDING 2014-002**

Contact Person Responsible for Corrective Action: Jo Ann Treon  
Contact Phone Number: 765-948-4632

**Views of Responsible Official: We agree with the finding.**

### **Description of Corrective Action Plan:**

Due to the fact the Town of Fairmount has a small staff in the Clerk-Treasurer's office and the Utility Office, it is impractical to segregate the duties in an ideal manner.

The Annual Financial Statement is given to the Town Council for their review, they do not sign off on the Annual Report.

However, the Clerk-Treasurer will have the Water Clerk view and sign off on all reports.

**Anticipated Completion Date: Immediately**



Jo Ann Treon

Clerk-Treasurer

11/30/2016



VISIT FAIRMOUNT DURING MUSEUM DAYS - LAST WEEKEND IN SEPTEMBER  
(JAMES DEAN'S HOMETOWN)

CLERK-TREASURER  
TOWN OF FAIRMOUNT  
AUDIT RESULTS AND COMMENTS

***CUSTOMER DEPOSIT REGISTER***

The detailed Customer Deposit Register exceeded the Water Utility - Customer Deposit fund cash balance by \$496 at December 31, 2014.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***SUPPORTING DOCUMENTATION***

Of the 38 Accounts Payable Vouchers/Claims sampled, 5 totaling \$693 did not have documentation to support the disbursements being made. Due to the lack of supporting documentation, we could not verify the purpose of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF FAIRMOUNT  
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2016, with Jo Ann Treon, Clerk-Treasurer, and Melba M. Root, President of the Town Council.