

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, 2015 to December 31, 2015



FILED
01/20/2017

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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	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2015 to December 31, 2015. 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/.

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 2015-001 - 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).

During the audit of the SEFA, there were the following errors:

1. Water and Waste Disposal Systems For Rural Communities expenditures were understated by \$4,131,385.
2. Highway Planning and Construction expenditures were overstated by \$443.
3. State and Community Highway Safety expenditures were understated by \$2,175.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

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)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

CLERK-TREASURER
TOWN OF FAIRMOUNT
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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 remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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

FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

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

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.
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.

CLERK-TREASURER
TOWN OF FAIRMOUNT
FEDERAL FINDINGS
(Continued)

3. Monitoring of Controls: 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 be 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 2015-001

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 Deputy Clerk-Treasurer will review the document to determine that all information entered is correct. The Deputy Clerk-Treasurer 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 2015-002

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.

With the addition of a Deputy Clerk-Treasurer to the staff later in the year, both parties will review and sign off on monthly transaction registers.

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

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest were paid to Indiana Department of Revenue in the amount of \$410 due to untimely payments of Utility Receipts Tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAYMENT COLLECTIONS

In January and February of 2015, payments were made to the Indiana Department of Revenue for the remittance of sales tax. The amounts remitted exceeded the amounts owed by \$1,667. A refund had not been received as of November 30, 2016.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed Customer Deposit Register exceeded the Water Utility-Customer Deposit fund cash balance by \$353 at December 31, 2015.

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 68 Accounts Payable Vouchers/Claims sampled, 5 totaling \$1,004 did not have documentation to support the disbursement being made. Due to the lack of 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.