

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, 2016 to December 31, 2016



FILED
09/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jo Ann Treon	01-01-16 to 12-31-19
President of the Town Council	Melba M. Root John Metzger	01-01-16 to 12-31-17 01-01-18 to 12-31-18



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, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 29, 2018

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CLERK-TREASURER
TOWN OF FAIRMOUNT

CLERK-TREASURER
TOWN OF FAIRMOUNT
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding number was 2015-001.

Condition

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

Context

The financial information entered into Gateway was not subject to a review by anyone other than the preparer.

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. . . ."

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.

CLERK-TREASURER
TOWN OF FAIRMOUNT
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the Town's management establish controls over the preparation of the SEFA to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Water and Waste Program Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Number and Year (or Other Identifying Number): FY 2014
Pass-Through Entity: Direct Grant
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with the requirements related to the grant agreement and the Reporting compliance requirement. There was an approval process involving another individual at the Town to ensure the financial reports were accurate. However, the approval process did not detect the errors in reporting.

Supporting documentation of amounts reported on the Financial Report Form 442-2, Statement of Budget, Income, and Equity, could not be ascertained for comparison.

Supporting documentation of amounts reported on the Financial Report Form 442-3, Balance Sheet, were reported with incorrect or inconsistent amounts. Some amounts were gathered from Town fund information instead of Wastewater Utility information. Some amounts could not be ascertained for comparison.

Context

The lack of effective controls was a systemic issue, which occurred throughout the audit period. Additionally, the lack of supporting documentation prevented the determination of the Town's compliance with the Reporting compliance requirement.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

CLERK-TREASURER
TOWN OF FAIRMOUNT
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not developed a system of internal controls that would have ensured supporting documentation was maintained and provided for audit related to the Reporting compliance requirement.

Effect

The failure to maintain and provide supporting documentation prevented the determination of compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure supporting documentation will be maintained and provided for audit related to the Reporting compliance requirement.

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 2016-001


Contract Person Responsible for Corrective Action: Jo Ann Treon
Contract Phone Number: (765)948-4632

Views of Responsible Official: We agree with the findings.

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 determined 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

8-29-18

*Town of Fairmount
214 West Washington Street
Fairmount, Indiana 46928*

CORRECTIVE ACTION PLAN

FINDING 2016-002


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

Views of Responsible Official: We agree with the findings.

Description of Corrective Action Plan:

With the addition of a Deputy Clerk-Treasurer to the staff, both parties will review and sign off on the Financial Reporting.

Anticipated Completion Date: Immediately



Jo Ann Treon
Clerk - Treasurer

8-20-18

CLERK-TREASURER
TOWN OF FAIRMOUNT
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2018, with Jo Ann Treon, Clerk-Treasurer; John Metzger, President of the Town Council; Richard Treon, Town Council member; Minerva Jane Sickman, Town Council member; and Kelly Renau, Deputy Clerk-Treasurer.