

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FOUNTAIN CITY

WAYNE COUNTY, INDIANA

January 1, 2012 to December 31, 2017



**FILED**  
10/17/2018



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>            | <u>Term</u>          |
|----------------------------------|----------------------------|----------------------|
| Clerk-Treasurer                  | Carolyn Sue Brooks         | 01-01-12 to 06-03-14 |
|                                  | Claudia Stuckey            | 06-04-14 to 08-12-16 |
|                                  | Trina D. McGuire (interim) | 08-13-16 to 09-11-16 |
|                                  | Trina D. McGuire           | 09-12-16 to 12-31-19 |
| President of the<br>Town Council | Larry Stegall              | 01-01-12 to 12-31-15 |
|                                  | Darwin Allen               | 01-01-16 to 08-18-16 |
|                                  | Adam Cobb (interim)        | 08-19-16 to 12-31-16 |
|                                  | Adam Cobb                  | 01-01-17 to 01-31-17 |
|                                  | Yvonne Nester (interim)    | 02-01-17 to 12-31-17 |
|                                  | Yvonne Nester              | 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 FOUNTAIN CITY, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Fountain City (Town), for the period from January 1, 2012 to December 31, 2017. 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 our Financial Statements Audit Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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, were not verified for accuracy.

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

September 6, 2018

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TOWN COUNCIL  
TOWN OF FOUNTAIN CITY

TOWN COUNCIL  
TOWN OF FOUNTAIN CITY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

The Town failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g).

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

". . . the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL  
TOWN OF FOUNTAIN CITY  
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2018, with Trina D. McGuire, Clerk-Treasurer; Yvonne Nester, President of the Town Council; Steve Clark, Council member; Karen (Sue) Bromagem, Council member; and Carolyn Sue Brooks, former Clerk-Treasurer.

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CLERK-TREASURER  
TOWN OF FOUNTAIN CITY

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments and financial reporting. The failure to establish and maintain internal controls could enable material misstatements or irregularities to remain undetected.

*Cash and Investments*

During the period January 1, 2015 through September 11, 2016, the Clerk-Treasurer prepared the bank reconciliations without internal controls in place, such as an oversight, review, or approval process.

*Financial Reporting*

The Town hired a consultant to enter the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and financial statements. There was no control in place, such as an oversight, review, or approval process, to ensure that the financial information was accurate prior to submission.

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. . . ."

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
EXIT CONFERENCE

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