

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, 2020 to December 31, 2020



FILED

12/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Trina D. McGuire	01-01-20 to 12-31-21
President of the Town Council	Shane Shroyer	01-01-20 to 12-31-21



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, 2020 to December 31, 2020. 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 Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at 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, was not verified for accuracy.

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

December 2, 2021

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CLERK-TREASURER
TOWN OF FOUNTAIN CITY

CLERK-TREASURER
TOWN OF FOUNTAIN CITY
AUDIT RESULTS AND COMMENTS

ADJUSTMENTS TO BANK RECONCILIATIONS

The same comment also appeared in prior Report B56056.

Condition and Context

The Town's cash reconciliation reported adjustments that were necessary to balance the depository accounts with the Town's ledger. At December 31, 2020, there were 47 adjustments with a net balance of (\$996) that were either added to, or subtracted from, the net depository balance. Many of these adjustments were carried over from the previous audit and/or there was no documentation to determine the validity of these transactions.

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 Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B56056.

Condition and Context

Financial information reported by the Town in the Indiana Gateway for Government Units financial reporting system included an overdrawn cash balance at December 31, 2020, in the Motor Vehicle Highway fund of \$9,607.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TIMELY RECORDING

Condition and Context

The records of the Town were not reflective of the activity of the Water Construction fund and the Water BAN fund. Adjustments of \$438,725 were proposed, approved by Town, and reflected in the financial statement.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF FOUNTAIN CITY
AUDIT RESULTS AND COMMENTS
(Continued)

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the Town related to payroll disbursements. Payroll was only approved by the Town Council through the claims docket; there was no independent recalculation of hours worked or verification that they were properly entered into the payroll system. There were no employee or supervisor signatures on the timecards certifying or approving the hours worked.

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. . . ."

CAPITAL ASSET RECORDS

This same comment appeared in a Management Letter addressed to officials for the audit period ending December 31, 2019.

Condition and Context

The Town did not maintain a complete detailed listing of all capital assets owned that reflected their acquisition value.

CLERK-TREASURER
TOWN OF FOUNTAIN CITY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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 Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF FOUNTAIN CITY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2021, with Trina D. McGuire, Clerk-Treasurer, and Steve Clark, Town Council member.

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TOWN COUNCIL
TOWN OF FOUNTAIN CITY

TOWN COUNCIL
TOWN OF FOUNTAIN CITY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

This same comment appeared in a Management Letter addressed to officials for the audit period ending December 31, 2019.

Condition and Context

The Town did not present for audit a capital asset policy detailing the threshold at which an item was considered a capital asset. In addition, no inventory was conducted at least every two years as required.

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 Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

A similar comment also appeared in prior Report B56056, entitled *ORDINANCES AND RESOLUTIONS - UTILITY BILLINGS*.

Condition and Context

The Water Ordinance 2015-4 called for a penalty of 10 percent of the patron's unpaid water bill. The actual calculation made was 10 percent of the first \$3, and 3 percent of the balance. The penalties were calculated on the total of the current bill, including the associated sales tax.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF FOUNTAIN CITY
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2021, with Trina D. McGuire, Clerk-Treasurer, and Steve Clark, Town Council member.