

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

TOWN OF FAIRMOUNT

GRANT COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**

12/22/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jo Ann Treon	01-01-21 to 12-31-22
President of the Town Council	Ryan Gossett Jane Sickman Steve Hedrick	01-01-21 to 12-31-21 01-01-22 to 05-08-22 05-09-22 to 12-31-22



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Town of Fairmount (Town), for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the Town's financial statement and have issued our report thereon dated December 7, 2022, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002.

***Town of Fairmount's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

December 7, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the Town of Fairmount's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2021. The Town's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

**Basis for Opinion on the Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the Town, as of and for the year ended December 31, 2021, and the related notes to the financial statement. We issued our report thereon dated December 7, 2022, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE  
Deputy State Examiner

December 7, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

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TOWN OF FAIRMOUNT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities Wastewater Collection System Improvements	Direct Grant	10.760	CY2020	\$ -	\$ 2,831,691
Total - Department of Agriculture				-	2,831,691
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan (ARP)	Direct Grant	21.027	CY2021	-	107,768
Total - Department of the Treasury				-	107,768
Total federal awards expended				\$ -	\$ 2,939,459

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF FAIRMOUNT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
10.760	Water and Waste Disposal Systems for Rural Communities	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2021-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

*Condition and Context*

The Town had not established effective internal controls over the fund financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Annual Financial Report and financial statement. The Clerk-Treasurer uploaded the reports to Gateway, and the Deputy Clerk-Treasurer reviewed the uploaded version; however, no evidence of the review was retained.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 proper system of internal control.

*Effect*

The failure to establish a system of internal control could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

**FINDING 2021-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-002.

*Condition and Context*

The Town had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepared and entered the federal award information into Gateway, and the Deputy Clerk-Treasurer reviewed the information; however, no evidence of the review was retained.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Water and Waste Disposal Systems for Rural Communities grant expenditures were overstated by \$3,516,220.
2. Other errors included incorrect program names and pass-through entities.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

*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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (i) Effectiveness and efficiency of operations;
  - (ii) Reliability of reporting for internal and external use; . . ."

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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 § 200.510. . . ."

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. 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 Federal each 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.
- (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 Assistance Listings Number or other identifying number when the Assistance Listings 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(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 that 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."

*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 and Context*.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2021-003**

Subject: Water and Waste Disposal Systems for Rural Communities -  
Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Program: Water and Waste Disposal Systems for Rural Communities  
Assistance Listings Number: 10.760  
Federal Award Number and Year (or Other Identifying Number): CY2020  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-003.

*Condition and Context*

An effective internal control system was not in place at the Town to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Procurement Policy*

The Town did not have policies or procedures that complied with procurement standards. The Town did not have written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts. Additionally, there was not a policy to use statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals.

*Procurement*

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Town did not obtain price or rate quotes for one vendor tested that was less than the simplified acquisition threshold of \$250,000, but exceeded the \$10,000 micro-purchase threshold. The micro-purchase threshold may be increased, but the Town did not provide documentation that the threshold had been increased. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit.

*Suspension and Debarment*

The Town had not designed or implemented adequate policies or procedures to ensure that covered transactions with vendors exceeding \$25,000 were neither suspended, nor debarred in accordance with the applicable compliance requirements for the federal grant. For the three vendors tested, the Town did not verify that the vendors were not excluded or disqualified from participation in federal programs.

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

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 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.320 states in part:

"The non-Federal entity must have and use document procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases –*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the Town.

*Questioned Costs*

There were no questioned costs identified.

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the Town's management establish a system of internal control to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2021-004**

Subject: Water and Waste Disposal Systems for Rural Communities - Reporting  
Federal Agency: Department of Agriculture  
Federal Program: Water and Waste Disposal Systems for Rural Communities  
Assistance Listings Number: 10.760  
Federal Award Number and Year (or Other Identifying Number): CY2020  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system was not in place at the Town to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Town had not designed or implemented adequate procedures to ensure that reports were prepared adequately and accurately in accordance with the applicable compliance requirements for the federal grant. Two financial reports were required and were in fact, prepared by the Town: Statement of Budget, Income and Equity, (Form RD 442-2) and a Balance Sheet (RD Form 442-3). However, both reports contained errors in the amounts reported for items such as: Cash on hand in Banks, Fixed Assets - Furniture and equipment, Notes and Interest Payable, among other amounts.

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

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). . . ."

TOWN OF FAIRMOUNT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following  
...

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . ."

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could have resulted in the loss of federal funds to the Town.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish a system of internal control to ensure compliance and comply with the grant agreement and 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.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2020-001***

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2020

STATUS OF AUDIT FINDING:

The Clerk-Treasurer entered the Annual Report into Gateway using Keystone's generated reports. I did not, however, have a separate secondary person review the financial reports from the ledger system that was prepared upfront to be later uploaded to Gateway.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2020-002***

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2020

STATUS OF AUDIT FINDING:

The Clerk-Treasurer ran the Gateway Report for SEFA and the Deputy Clerk-Treasurer checked the reports for errors. However, our review of the SEFA did not detect some material errors.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2020-003***

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2020

STATUS OF AUDIT FINDING:

Competitive bids will be taken on all contracts for legal and Financial Services for grant projects.

All vendors will be verified that they were not suspended or debarred from participation in federal award programs.

**CORRECTIVE ACTION PLAN**

**FINDING 2021-001**

**Subject: Financial Transactions and Reporting**

Contact Person Responsible for Corrective Action: Jo Ann Treon

Contact Phone Number: 765 948-4632

Views of Responsible Official: We concur with the finding.

The Town had not established effective internal controls over the fund financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Annual Financial Report (AFR) and financial statement. The Clerk Treasurer uploaded the reports to Gateway and the Deputy Clerk Treasurer reviewed the uploaded version; however, no evidence of the review was retained.

Description of Corrective Action Plan:

The Clerk-Treasurer and Deputy Clerk-Treasurer will sign their names to the documents they run and review.

Anticipated completion date: Starting January 2023.

*Jo Ann Treon  
Clerk-Treasurer  
Town of Fairmount*

## **CORRECTIVE ACTION PLAN**

### **FINDING 2021-002**

#### **Subject: Preparation of the Schedule of Expenditures of Federal Awards**

Contact Person Responsible for Corrective Action: Jo Ann Treon

Contact Phone Number: 765 948-4632

Views of Responsible Official:

The Town had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Schedule of Expenditures of Federal Awards (SEFA). The Clerk Treasurer prepared and entered the federal award information into Gateway and the Deputy Clerk Treasurer reviewed the information; however, no evidence of the review was retained.

Due to the lack of effective internal controls, the SEFA presented for audit included the following

errors:

1. The Water and Waste Disposal Systems for Rural Communities grant expenditures were overstated by \$3,516,220.
2. Other errors included incorrect program names and pass-through entities. Audit adjustments were proposed, accepted by the Town, and made to the SEFA present

Description of Corrective Action Plan:

The reports will be checked to eliminate wrong program names and pass-through entities.

Anticipated completion date: This will start January 2023.

The overstated amount of \$3,516,220 was an oversight of the Clerk-Treasurer and has been corrected.

*Jo Ann Treon  
Clerk-Treasurer  
Town of Fairmount*

## CORRECTIVE ACTION PLAN

### FINDING 2021 - 003

#### **Subject: Water and Waste Disposal Systems for Rural Communities - Procurement and Suspension and Debarment**

Contact Person Responsible for Corrective Action: Jo Ann Treon

Contact Phone Number: 765 948-4632

Views of Responsible Official: We concur with the finding.

An effective internal control system was not in place at the Town to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

#### Procurement Policy

The Town did not have policies or procedures that complied with procurement standards. The Town did not have written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts. Additionally, there was not a policy to use statutorily or administratively imposed in- State or local geographical preferences in the evaluation of bids or proposals.

#### Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro- purchases, typically for those purchases \$10,000 or under, and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro- purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The Town did not obtain price or rate quotes for one vendor tested that was less than the simplified acquisition threshold of \$250,000, but exceeded the \$10,000 micro- purchase threshold. The micro-purchase threshold may be increased, but the Town did not provide documentation that the threshold had been increased. Documentation detailing the history of procurement, which must include the reason for the procurement method used, was not available for audit.

Suspension and Debarment

The Town had not designed or implemented adequate policies or procedures to ensure that covered transactions with vendors exceeding \$25,000 were neither suspended nor debarred in accordance with the applicable compliance requirements for the federal grant. For the three vendors tested, the Town did not verify that the vendors were not excluded or disqualified from participation in federal programs.

DESCRIPTION OF CORRECTED ACTION PLAN

Bids will be obtained by all contractors and a clause will be added that all contractors must show they have not been debarred or suspended from participation in federal programs.

The town is establishing a purchasing policy ordinance.

Price or Rate Quotes will be obtained for all small purchases.

ANTICIPATED COMPLETION DATE:

February 2023.

*Jo Ann Treon  
Clerk-Treasurer  
Town of Fairmount*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 6, 2022

FINDING 2021- 004

Subject:Water and Waste Disposal Systems for Rural Communities - Reporting

FISCAL YEAR IN WHICH THE FINDING INITIALLY OCCURRED: 2021

STATUS OF AUDIT FINDING: We concur with the finding.

The Town had not designed or implemented adequate procedures to ensure that reports were prepared adequately and accurately in accordance with the applicable compliance requirements for the federal grant. Two financial reports were required and were in fact, prepared by the Town: Statement of Budget, Income and Equity, (Form RD 442- 2) and a Balance Sheet (RD Form 442- 3). However, both reports contained errors in the amounts reported for items such as: Cash on hand in Banks, Fixed Assets – Furniture and equipment, Notes and Interest Payable, among other amounts.

Description of Corrective Action Plan:

The reports will be reviewed and eliminate errors starting January 2023, however the reports were reviewed by USDA and approved.

ANTICIPATED COMPLETION DATE:

January 2023.

*Jo Ann Treon  
Clerk-Treasurer  
Town of Fairmount*

## OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.