

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, 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



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, 2021 to December 31, 2021. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 7, 2022

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CLERK-TREASURER
TOWN OF FAIRMOUNT

CLERK-TREASURER
TOWN OF FAIRMOUNT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B58834, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*

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.

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. . . ."

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition and Context

The Town had not established effective internal controls over the federal award information entered into 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.

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

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in the Federal Compliance Audit Report for the Town.

Criteria

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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](#)."

CUSTOMER DEPOSIT REGISTER

Condition and Context

The Town did not have adequate internal controls in place to ensure that the Customer Deposit Detail ledger (subsidiary ledger) agreed with the cash fund balance of the corresponding Water Utility - Customer Deposit fund (control).

Reconciliations of the control balance of the meter deposit accounts to the subsidiary ledger detail of meter deposits by customer were not performed or presented for audit.

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)

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

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CLERK-TREASURER
TOWN OF FAIRMOUNT
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2022, with Jo Ann Treon, Clerk-Treasurer, and Steve Hedrick, President of the Town Council.