

**CITY OF FOUNTAIN INN,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

CITY OF FOUNTAIN INN, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2008

2008-1: INTERNAL CONTROLS OVER ANNUAL FINANCIAL REPORTING PROCESS

- Condition:** The City does not have adequate internal controls over its annual financial reporting process that would allow for the City to prevent or detect material misstatements in the basic financial statements. Instead, the City has chosen to use its external independent auditors as its internal control for the annual financial reporting process, from the recording of various receivables and payables on the modified accrual basis to the conversion to the full accrual basis that is used for the government-wide financial statements.
- Criteria:** The City should have adequate internal controls (other than its external independent auditors) in place that would prevent or detect material misstatements from the day-to-day transactions all the way to the reporting of those transactions in the annual financial statements.
- Effect:** There is a higher risk that material misstatements in the basic financial statements will go undetected.
- Cause:** The limited resources available at the City.
- Recommendation:** The City should consider the cost/benefit factors related to providing adequate internal controls over its annual financial reporting process.
- Response:** The City will continue to evaluate the cost/benefit factors of providing adequate internal controls over its annual financial reporting process. Currently, the City believes it is most cost beneficial to use its external auditors to perform these functions related to its annual financial reporting process and to prepare the annual financial statements.