

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEWBURGH

WARRICK COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
07/25/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca J. Gentry (Vacant) Jon Lybarger	01-01-12 to 06-03-13 06-04-13 to 06-25-13 06-26-13 to 12-31-15
President of the Town Council	Leanna Hughes Tonya McGuire Leanna Hughes	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14
Utility Office Manager	Susan Helms	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Newburgh (Town), for the period from January 1, 2012 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and 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

June 19, 2014

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CLERK-TREASURER
TOWN OF NEWBURGH

CLERK-TREASURER
TOWN OF NEWBURGH
FEDERAL FINDING

***FINDING 2013-1 - INTERNAL CONTROLS AND COMPLIANCE ISSUE
OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, errors noted include instances of each of the following: a State grant was included on the SEFA, program expenditures were misstated, programs were omitted, program names were incorrect or omitted, and CFDA numbers were incorrect. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

CLERK-TREASURER
TOWN OF NEWBURGH
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



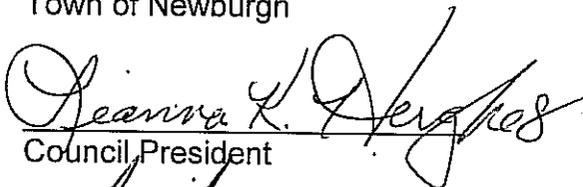
June 30, 2014

Corrective Action Plan

FINDING 2013-1 – INTERNAL CONTROLS AND COMPLIANCE ISSUE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

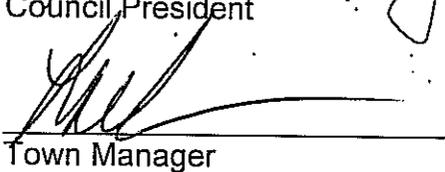
The Clerk-Treasurer will work in conjunction with the Town Manager to ensuring that the monies received from federal grants and expended by the Town of Newburgh are properly documented. The Clerk-Treasurer, Jon Lybarger, will be responsible for providing this funding information in each annual report as well as the Schedule of Expenditures of Federal Awards beginning with the report created by the end of February 2015.

Town of Newburgh



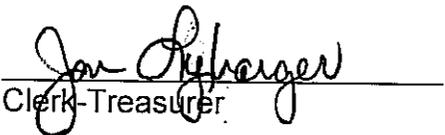
Council President

6/30/2014
Date



Town Manager

6/30/2014
Date



Clerk-Treasurer

June 30, 2014
Date

CLERK-TREASURER
TOWN OF NEWBURGH
AUDIT RESULTS AND COMMENTS

SALARIES NOT PAYABLE IN ADVANCE

As stated in prior reports, employees are paid for paid time off (PTO) prior to earning it as allowed by the Town's Personnel Policy.

Salaries and wages of public officers may not be paid in advance. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-7-3-1 states:

"(a) Public officers may not draw or receive their salaries in advance.

(b) This section does not prohibit a payment under IC 36-4-8-9."

Indiana Code 36-4-8-9 states:

"(a) One (1) to three (3) days before the vacation leave period of a city officer or employee begins, the city may pay him the amount of compensation he will earn while he is on vacation leave.

(b) Compensation for services paid to a salaried city officer or employee pursuant to a fixed schedule set forth in a written contract or salary ordinance shall not be construed as having been paid in advance. Under such an arrangement, the city shall maintain records to verify that actual work is performed for all salary paid."

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
MVH	2013	\$ 15,945
CCD	2013	52

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CLERK-TREASURER
TOWN OF NEWBURGH
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2014, with Jon Lybarger, Clerk-Treasurer; Mailyn Doyle, Deputy Clerk-Treasurer; Susan Helms, Utility Office Manager; Leanna Hughes, President of the Town Council; Tonya McGuire, Town Council member; and Chris Wisner, Town Attorney.