

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEW HARMONY

POSEY COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
08/29/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Accounting for Coronavirus Relief Funds	6-7
Annual Financial Report.....	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karla L. Atkins	01-01-19 to 12-31-23
President of the Town Council	Alvin Blaylock	01-01-19 to 12-31-23
Certified Operator of Water Utility	Jeremy Farrar	01-01-19 to 12-31-23
Certified Operator of Wastewater Utility	Jeremy Farrar	01-01-19 to 12-31-23
Superintendent of Gas Utility	Robert Grider	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NEW HARMONY, POSEY COUNTY, INDIANA

This report is supplemental to the audit report of the Town of New Harmony (Town), for the period from January 1, 2019 to December 31, 2022. 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 the Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. 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

August 17, 2023

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CLERK-TREASURER
TOWN OF NEW HARMONY

CLERK-TREASURER
TOWN OF NEW HARMONY
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

Reimbursement from the Indiana Finance Authority (IFA) in the amount of \$2,463 was received into the established CARES-COVID-19 Grants fund (CARES fund) in February 2021 for disbursements made in 2020. A claim was not prepared against the CARES fund for the reimbursed amount in favor of the General Fund, which resulted in the CARES fund having a cash balance of \$2,463 at December 31, 2021.

The amount was properly claimed to the General Fund on March 3, 2022.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be received into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be received into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be received into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

(State Examiner Directive 2020-3)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in the prior Report B53252, entitled *INTERNAL CONTROLS*.

Condition and Context

The Town has not established a proper system of internal controls to prevent, or detect and correct, errors during the financial close and reporting process. The Clerk-Treasurer entered the Town's financial information for the Annual Financial Reports in the Indiana Gateway for Government Units financial reporting system. There was no independent review, oversight, or approval process to prevent, or detect and correct, errors prior to the submission.

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. . . ."

CLERK-TREASURER
TOWN OF NEW HARMONY
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2023, with Karla L. Atkins, Clerk-Treasurer; Alvin Blaylock, President of the Town Council; Virginia S. Alsop, Town Council member; Rodney Clark, Town Council member; and Roger Wade, Town Council member.