

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEW RICHMOND

MONTGOMERY COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
02/20/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------|----------------------|
| Clerk-Treasurer | Kathy Sering | 01-01-12 to 08-31-14 |
| | Patti Ratcliff | 09-01-14 to 09-30-14 |
| | Alaatha Foust | 10-01-14 to 12-31-19 |
| President of the Town Council | Chris Patterson | 01-01-13 to 12-31-13 |
| | Sean Gwynn | 01-01-14 to 12-31-15 |
| | Kathy Peevler | 01-01-16 to 12-31-16 |
| | Rebecca Scott | 01-01-17 to 12-31-18 |
| Superintendent of Utilities | Ramon Knutti | 01-01-13 to 03-31-14 |
| | Earl Heide | 04-01-14 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NEW RICHMOND, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of New Richmond (Town), for the period from January 1, 2013 to December 31, 2017. 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 Statements Audit Report of the Town, which provides our opinion 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 20, 2018

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CLERK-TREASURER
TOWN OF NEW RICHMOND

CLERK-TREASURER
TOWN OF NEW RICHMOND
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The Township's Annual Financial Report for 2014 was not filed electronically until May 14, 2015, which was 74 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

FUND SOURCES AND USES

A similar comment appeared in prior Report B42293, entitled *FUNDS SOURCES AND USES*.

The State Distributions for Motor Vehicle Highway and Local Road & Street were not posted correctly during the audit period. In 2013, one of the Local Road & Street Distributions of \$8 was posted to the Motor Vehicle Highway fund. In 2014, the Motor Vehicle Highway and Local Road & Street Distributions totaling \$381 were posted to the General Fund. Motor Vehicle Highway Distributions in 2013 totaling \$1,294 were posted to the General Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

The reconciled bank balance did not agree to the ledgers for any year of the audit period. For 2014-2017, the variance was the same amount, totaling \$15,714 with the bank balance exceeding the total balance of the fund ledgers.

The utility receipts for 2013 and 2014 were not recorded timely. Receipts were recorded at the end of the week and the bank deposit was made the same day.

The state distributions for 2014 were not recorded timely. Several receipts were back dated to appear timely. One receipt could not be backed dated to the correct month and was posted 3 months after being deposited to the bank account.

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger as of December 31, 2017.

Form 941s for the audit period were not provided for audit.

Utility Receipts Tax Returns were not provided for audit for 2013 or 2014.

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

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)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS

The Town paid D&D Trash Service during the audit period, but did not have a current contract. The following payments were made during the audit period:

| <u>Years</u> | <u>Amount Paid</u> |
|--------------|------------------------|
| 2013 | \$ 15,233 |
| 2014 | 16,125 |
| 2015 | 16,507 |
| 2016 | 16,507 |
| 2017 | 17,687 |

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ERRORS ON CLAIMS

One claim of fifteen tested in 2013, in the amount of \$487, to the Indiana Department of Revenue and one claim of seventeen tested in 2014, in the amount of \$49 to the Indiana Department of Workforce Development didn't have an accounts payable voucher, itemized invoice attached and wasn't approved by the fiscal officer or governing body.

Five of seventeen claims tested in 2014, didn't have an itemized invoice attached.

Thirteen of seventeen claims tested in 2014 and one of sixteen claims tested in 2015 were not approved by the fiscal officer.

Eleven of seventeen claims tested in 2014 and one of sixteen claims tested in 2015 were not approved by the governing body in 2014.

One claim to Ceres Solutions was over paid by \$45.

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

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

INTERNAL CONTROLS

A similar comment also appeared in prior report B42293, entitled *INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND RECORDING*.

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

Cash and Investments

One employee was responsible for performing the reconciliation of the depository account balance with the record balance. There were no controls in place such as an oversight, review, or approval process of the bank reconciliements.

Receipts

One employee was responsible for writing the receipts for funds received and preparing the daily deposits for the bank accounts. There were no controls in place such as oversight, review, or approval of the daily deposits or receipt postings.

Financial Close and Reporting

The Town did not have a proper system of internal control in place to ensure the accuracy of the transactions included in the records and reported in the Annual Financial report. Due to the lack of controls, the Town's financial statement contained the following errors:

1. Receipts were understated for the General Fund, Water Debt Reserve, Water Utility Operating, and Water Util Meter Deposit totaling \$18,991.

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

2. Disbursements were understated for Parks & Recreation, Sewage Utility Operating, and Trash & Garbage Pickup totaling \$3,322.
3. Beginning balances were understated for General Fund, Water Debt Reserve, Water Utility Operating, and Water Utl Meter Deposit totaling \$15,721.
4. Beginning balances were overstated for Sewage Utility Operating and Trash & Garbage Pickup totaling \$9,834.

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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties, interest, and other charges were paid to Indiana Department of Revenue for late payments of Sales Tax and Withholdings as documented on the INTAX webpage. The total for 2013 is \$350, 2014 is \$240, and 2016 is \$2.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Towns, Chapter 1)

Dec. 29, 2018

I was elected into office Oct. 15, 2014 to finish out the previous clerk-treasurer's term. When I observe the records, they were in poor condition, so I hired an independent accountant (who use to work for the SBOA) to help organize and get up to date the records and finances of the Town. It took well over 6 months to straighten things up.

Alaathea Foust

CLERK-TREASURER
TOWN OF NEW RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Alaathea Foust, Clerk-Treasurer; Rebecca Scott, President of the Town Council; Earl Luke Martin, Town Council member; and Minnie Howard, Town Council member.