

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NORTH SALEM

HENDRICKS COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
07/25/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Result and Comment:	
Financial Transactions and Reporting .....	6
Exit Conference .....	7
Town Council:	
Audit Result and Comment:	
Financial Transactions and Reporting .....	10
Exit Conference .....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth Russell	01-01-15 to 12-31-22
President of the Town Council	Michael Selch	01-01-15 to 12-31-16
	Rebecca Compton	01-01-17 to 12-31-18
	Rebecca A. Fancher	01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TOWN OF NORTH SALEM, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of North Salem (Town), for the period from January 1, 2015 to December 31, 2018. 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 opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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

June 10, 2019

(This page intentionally left blank.)

CLERK-TREASURER  
TOWN OF NORTH SALEM

CLERK-TREASURER  
TOWN OF NORTH SALEM  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the Town related to financial transactions and reporting for cash and investments, receipts, payroll, and financial close and reporting.

Cash and Investments - The outside consultant completed the monthly bank reconcilements. The Clerk-Treasurer had not implemented a system of oversight, review, or approval process.

Receipts - The Town Council had not segregated key functions related to receipts. The Deputy Clerk-Treasurer received the money for utility payments, posted to the customer accounts, and deposited the funds in the bank. The Town Council had not implemented a system of oversight, review, or approval process.

Payroll - The Clerk-Treasurer processed payroll, posted payroll, and issued weekly payroll checks. The Town Council had not implemented a system of oversight, review, or approval process.

Financial Close and Reporting - The outside consultant compiled and submitted the Annual Financial Report. The Clerk-Treasurer had not implemented a system of oversight, review, or approval process.

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 NORTH SALEM  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2019, with Beth Russell, Clerk-Treasurer, and Rebecca A. Fancher, President of the Town Council.

(This page intentionally left blank.)

TOWN COUNCIL  
TOWN OF NORTH SALEM

TOWN COUNCIL  
TOWN OF NORTH SALEM  
AUDIT RESULT AND COMMENT

**FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the Town related to financial transactions and reporting for cash and investments, receipts, payroll, and financial close and reporting.

Cash and Investments - The outside consultant completed the monthly bank reconcilements. The Clerk-Treasurer had not implemented a system of oversight, review, or approval process.

Receipts - The Town Council had not segregated key functions related to receipts. The Deputy Clerk-Treasurer received the money for utility payments, posted to the customer accounts, and deposited the funds in the bank. The Town Council had not implemented a system of oversight, review, or approval process.

Payroll - The Clerk-Treasurer processed payroll, posted payroll, and issued weekly payroll checks. The Town Council had not implemented a system of oversight, review, or approval process.

Financial Close and Reporting - The outside consultant compiled and submitted the Annual Financial Report. The Clerk-Treasurer had not implemented a system of oversight, review, or approval process.

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. . . ."

TOWN COUNCIL  
TOWN OF NORTH SALEM  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2019, with Beth Russell, Clerk-Treasurer, and Rebecca A. Fancher, President of the Town Council.