

**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, 2015 to December 31, 2018



**FILED**  
09/06/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karla L. Atkins	01-01-12 to 12-31-19
President of the Town Council	R. Joe Straw Alvin Blaylock	01-01-15 to 12-31-15 01-01-16 to 12-31-19
Certified Operator of Water Utility	Jeremy Farrar	01-01-15 to 12-31-19
Certified Operator of Wastewater Utility	Jeremy Farrar	01-01-15 to 12-31-19
Superintendent of Gas Utility	Robert Grider	01-01-15 to 12-31-19



**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 our audit report of the Town of New Harmony (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 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/](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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

July 23, 2019

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CLERK-TREASURER  
TOWN OF NEW HARMONY

CLERK-TREASURER  
TOWN OF NEW HARMONY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to cash and investments, receipts, and financial close and reporting. The Town had not established an effective internal control system that had separated incompatible activities.

*Cash and Investments*

The Clerk-Treasurer performed the bank reconciliations; however, there was no evidence of an oversight, review, or approval process.

*Receipts*

Both the Clerk-Treasurer and Deputy Clerk-Treasurer posted receipts daily into Keystone. Either the Clerk-Treasurer or Deputy Clerk-Treasurer took the deposit to the bank. The same person who prepared the deposit also took the deposit to the bank. Therefore, there was no segregation of duties. At the end of the month, the Clerk-Treasurer stated that she ran a Fund Report and presented it to the Town Council for review and approval. However, there was no documentation to indicate the oversight, review, or approval process of the Fund Report.

*Financial Close and Reporting*

The Clerk-Treasurer uploaded/entered the information into the Indiana Gateway for Government Units (Gateway) financial reporting system portal. The Annual Financial Report (AFR) is prepared through Gateway. However, no one reviewed and approved that the information being uploaded into Gateway was accurate. There was no evidence of an oversight, review, or approval process of the AFR.

*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 July 23, 2019, with Karla L. Atkins, Clerk-Treasurer; Alvin Blaylock, President of the Town Council; Virginia S. Alsop, Town Council member; and David A. Flanders, Town Council member.