

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEW ROSS

MONTGOMERY COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
09/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca Lowe Ashley Kelsey	01-01-17 to 12-31-17 01-01-18 to 12-31-19
President of the Town Council	Michael Myers Jason H. Haltom	01-01-17 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of New Ross (Town), for the period from January 1, 2017 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 statement. 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

September 23, 2019

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CLERK-TREASURER
TOWN OF NEW ROSS

CLERK-TREASURER
TOWN OF NEW ROSS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

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 reconciliations.

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 an 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 Park Fund, Storm Water Grant, Electric Operating, and Rainy Day Funds a total of \$502,408.
2. Disbursements were understated for Park Fund, Storm Water Grant, and Electric Operating totaling \$505,571.
3. Beginning balances were understated for General, Rainy Day, and Park Fund totaling \$59,855.

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

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. . . ."

SUPPORTING DOCUMENTATION

Condition and Context

There were 29 disbursements tested. Of those tested, 1 had no claim or voucher, 3 were not considered timely because of missing documentation, 1 was not approved by either the Clerk-Treasurer or the Board (Park Board disbursement), 2 were not proper use of funds (one was not allocated to all funds necessary and the other was missing documentation), and 11 were missing supporting documentation.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF NEW ROSS
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2019, with Ashley Kelsey, Clerk-Treasurer, and Jason H. Haltom, President of the Town Council.