

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEW MARKET

MONTGOMERY COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
11/20/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Darlene Services	01-01-15 to 12-31-19
President of the Town Council	Joe Dodds	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 MARKET, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of New Market (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/.

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

October 28, 2019

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CLERK-TREASURER
TOWN OF NEW MARKET

CLERK-TREASURER
TOWN OF NEW MARKET
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the Annual Financial Report (AFR) that the Town had adopted internal control standards and that the Town personnel had received training regarding the internal control standards. The Town had not adopted internal control standards, nor ensured that personnel received the training.

Context

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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The AFRS for 2015, 2016, 2017, and 2018 did not contain the Payroll fund, which was material to the financial statements. Audit adjustments were recommended to the Clerk-Treasurer and accepted by the officials.

The financial statements presented in this report reflect these adjustments and resulted in a presentation that is materially correct.

Criteria

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](#)."

INTERNAL CONTROLS

Condition and Context

The Town had not designed or implemented a proper control system related to cash and investments, receipts, and financial transactions and reporting. Controls should be in place to reduce the risks of errors in financial reporting. Additionally, the Town did not have a system to identify and communicate corrective actions to improve controls. Effective internal controls over cash and investments, receipts, and financial transactions and reporting require the Town to monitor and assess the quality of the system of internal control.

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

Cash and Investments

The Town contracted with a third-party to perform the monthly bank reconcilements. The Town did not have a proper oversight, approval, or review process to ensure the accuracy of the reconcilements.

Receipts

The Clerk-Treasurer completed all aspects of the receipting process. She receives all funds, completed deposits of those funds, and records the amounts in the ledger without a system of oversight, review, or approval to ensure the accuracy of the receipts.

Financial Transactions and Reporting

The Town contracted with a third-party to file its AFR in the Indiana Gateway for Government Units financial reporting system. The Town did not have a proper oversight, review, or approval process over the financial information input into 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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CLERK-TREASURER
TOWN OF NEW MARKET
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Darlene Servies, Clerk-Treasurer; Joe Dodds, President of the Town Council; and Carl Keller, Town Council member.

TOWN COUNCIL
TOWN OF NEW MARKET

TOWN COUNCIL
TOWN OF NEW MARKET
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not ensure that the minimum internal control standards were adopted by the Town.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not ensure that all applicable personnel had received training concerning the internal control standards and procedures adopted by the Town. Town and Town Utility personnel had not received training on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF NEW MARKET
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Darlene Servies, Clerk-Treasurer; Joe Dodds, President of the Town Council; and Carl Keller, Town Council member.