B59948

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEWBURGH

WARRICK COUNTY, INDIANA

January 1, 2020 to December 31, 2021

FILED
10/05/2022

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Nannette Angel	01-01-20 to 12-31-22
President of the Town Council	Stacie M. Krieger	01-01-20 to 12-31-22
Utility Office Manager	Susan Helms	01-01-20 to 12-31-22

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Newburgh (Town), for the period from January 1, 2020 to December 31, 2021. 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 opinions 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 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.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

September 20, 2022

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CLERK-TREASURER
TOWN OF NEWBURGH

CLERK-TREASURER
TOWN OF NEWBURGH
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B56085, entitled *INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING.*

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town did not have a proper system of internal control in place over financial close and reporting to prevent, or detect and correct, errors. Due to the lack of effective internal controls over the input of financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Reports and the financial statement, material errors remained undetected.

The Town did not accurately report Payroll fund receipts and disbursements for 2021 on the financial statement or the combining schedules of the AFR. Payroll fund receipts and disbursements for 2021 were both understated by $1,746,942.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

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. . . ."

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

> "The state examiner shall require from every audited entity 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."

OFFICIAL RESPONSE

September 28, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: 2020-2021 Audit Result and Comment

Dear State Examiner,

In regards to the Audit Result and Comment for our 2020-2021 Audit, I would like to provide a response to the error recorded.

The "PAYROLL FUND" is a transactional (in/out) account only. This fund allows us to post our payroll expenses and distribute the expenses to the individual budgets. When reviewing the year end reports, we were needing to record the "CLAIM ON CASH" debits and credits as previously told in our last audit. However, I failed to remember where to get the information. Therefore, we attempted inputting what we thought would best represent the activity in the account.

After discussion with the auditor(s), we determined the error and agreed with the correct numbers which has been updated on the 2021 Annual Financial Report in Gateway. In addition, I feel that it is important to point out the discrepancy took place in 2021 only.

This is basically a clerical error that did not impact the Town's finances.

For future audits, a RED file folder has been created, titled "AFR" with specific notes related to the numbers that should be inputted into the AFR for the Payroll Fund.

Respectfully,

Nannette Angel
Clerk Treasurer
Town of Newburgh

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CLERK-TREASURER
TOWN OF NEWBURGH
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2022, with Nannette Angel, Clerk-Treasurer; Anne Rust Aurand, Town Council member; Susan Helms, Utility Office Manager; Christy Powell, Town Manager; and Chris Wischer, Town Attorney.