

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

ADMINISTRATIVE RESOURCES ASSOCIATION

BARTHOLOMEW COUNTY, INDIANA

January 1, 2003 to December 31, 2005



FILED
7/31/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Eric A. Frey, II	01-01-03 to 12-31-06
Treasurer	Morris Chastain	01-01-03 to 12-31-03
	Judy Chastain	01-01-04 to 12-31-04
	James Bullard	01-01-05 to 12-31-05
	Joe Klumpp	01-01-06 to 12-31-06
President of the Board	John Burkhart	01-01-03 to 12-31-03
	Robert Bridges	01-01-04 to 12-31-04
	Morris Chastain	01-01-05 to 12-31-05
	Judy Chastain	01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ADMINISTRATIVE RESOURCES
ASSOCIATION, BARTHOLOMEW COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Administrative Resources Association (Association), for the period of January 1, 2003 to December 31, 2005. The Association's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Association for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 13, 2006

ADMINISTRATIVE RESOURCES ASSOCIATION
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2003, 2004 And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 151,113	\$ 636,289	\$ 392,619	\$ 394,783
Rural Enterprise Loan Program	557,099	26,133	47,266	535,966
Nonreverting Vehicle Fund	-	10,000	-	10,000
Proprietary Fund:				
MAP/RELP II Recapture	<u>20,725</u>	<u>140,198</u>	<u>136,099</u>	<u>24,824</u>
Totals	<u>\$ 728,937</u>	<u>\$ 812,620</u>	<u>\$ 575,984</u>	<u>\$ 965,573</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 394,783	\$ 472,900	\$ 434,389	\$ 433,294
Rural Enterprise Loan Program	535,966	79,019	-	614,985
Nonreverting Vehicle Fund	10,000	15,000	-	25,000
Proprietary Fund:				
MAP/RELP II Recapture	<u>24,824</u>	<u>93,182</u>	<u>80,442</u>	<u>37,564</u>
Totals	<u>\$ 965,573</u>	<u>\$ 660,101</u>	<u>\$ 514,831</u>	<u>\$ 1,110,843</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 433,294	\$ 487,617	\$ 483,968	\$ 436,943
Rural Enterprise Loan Program	614,985	3,850	-	618,835
Nonreverting Vehicle Fund	25,000	15,000	22,827	17,173
Proprietary Fund:				
MAP/RELP II Recapture	<u>37,564</u>	<u>48,105</u>	<u>77,024</u>	<u>8,645</u>
Totals	<u>\$ 1,110,843</u>	<u>\$ 554,572</u>	<u>\$ 583,819</u>	<u>\$ 1,081,596</u>

The accompanying notes are an integral part of the schedules.

ADMINISTRATIVE RESOURCES ASSOCIATION
NOTES TO SCHEDULES

Note 1. Introduction

The Association was established on November 28, 1973, under the Interlocal Cooperation Act. The Association operates under a Board of Directors and provides general administrative services. As of December 31, 2005, there were ten member and three associate member cities and towns in the Association operating under a mutual agreement entered into on September 15, 1983.

Note 2. Fund Accounting

The Association uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved by the Board of Directors. Budget modifications are also approved by the Board of Directors.

Note 4. Revenues

The Association charges member cities an annual membership fee. Additionally, the Association charges the cities for administration of grant programs and accounts for recaptured money from the small venture revolving loan program.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Association to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 15)

PUBLIC RECORDS RETENTION

Bank statements for December 2003 and several check copies for December 2003 were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit 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 Special Districts, Chapter 20)

ANNUAL REPORT

An annual report for 2005 was not presented for audit.

Indiana Code 5-11-1-4 states in part: "Sec.4 (a) 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. Except as provided by subsection (b), these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for 2005 were not presented for audit. Also, no outstanding checklist was prepared by the unit for several months during 2005.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims or invoices did not have evidence to support receipt of goods or services.
- (4) Public funds were used to pay for personal items or for expenses which did not relate to the function and purpose of the unit.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCE CHARGES

The Administrative Resources Association incurred, and subsequently paid, finance charges for delinquent payment of vendor invoices during the audit period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ALCOHOL PURCHASES

Alcoholic beverages and bartending services were purchased from funds of the Administrative Resources Association.

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2006, with Eric A. Frey, II, Director; and Brooke Perry, Office Manager. The official response has been made a part of this report and may be found on pages 10 through 12.



Administrative Resources association

a governmental association of Indiana cities

3200 Sycamore Court, 1-A

Columbus, Indiana 47203

Fax: 812-376-8857

812-376-9949

2006 ASSOCIATION OFFICERS

Judy K. Chastain
President

James E. Bullard
Vice President

Joe D. Klumpp
Treasurer

John G. Hall
Secretary

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Mayor, Batesville

Joe D. Klumpp
Mayor, Bedford

Fred L. Armstrong
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Robert M. Bridges
Mayor, Rushville

Judy Chastain
Mayor, Salem

James E. Bullard
Mayor, Seymour

STAFF

Eric A. Frey, II
Executive Director
ericfrey@aracities.org

Trena P. Carter
Mgr. Municipal Programs
tcarter1@aracities.org

Lisa J. Westenberger
Mgr. Municipal Programs
lisa@aracities.org

Debra K. Lilly
Mgr. Housing Programs
debkll@aracities.org

Carrie Riley
Grants Management
jcriley@aracities.org

Brooke Perry
bperry@aracities.org

D. Bruce Wallace
Advisor

June 15, 2006

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2738

RE: OFFICAL REPNSE

To Whom It May Concern:

I am writing this as an: "OFFICAL RESPONSE" to the audit conducted on Administrative Resources association and request that it be included in audit report filed by your office. The auditors from your office who audited our books were very professional and were good to work with during that time. I appreciated their time and explanation of the issues that they found.

The findings of the audit and format in which they will be presented in the report compelled me to write and official response. This response hopefully help describe the issue, explain the context, and note the action ARa will follow to correct that issue. Here is our response to noted findings:

Deposits:

Issue: Deposits were not always deposited by the next business day after check or money was received by office manager.

Explanation: Some days ARa received a very small number of checks with low totals. The office manager kept these checks until a more substantial deposit could be made.

Solution: Deposits will be made by the next business day regardless of number or amount.

Public Records Retention:

Issue: Bank statement from December 2003 and copies checks were not in box with 2003 files.

Explanation: Previous office manger did not place documents in proper location/box.

Solution: A check list will be created and filed with all financial record boxes and now boxes will not be closed and stored until information is all check off.



Annual Report:

Issue: An annual report was not filed for 2005
Explanation: The year end was not reconciled and State Board of Accounts told us not to file this report with an unrecognized balance. Current office manager could not get the year end to reconcile correctly.
Solution: A reconciliation report is to be provided monthly to the Executive Director for his review. Also a new bookkeeper will be hired with his/her primary role of keeping the books accurate.

Bank Accounts Reconciliations:

Issue: Fund balances for 2005 were not consistently reconciled with bank statements
Explanation: Current office manager had difficulty reconciling monthly.
Solution: A reconciliation report is to be provided monthly to the Executive Director for his review. Also a new bookkeeper will be hired with his/her primary role of keeping the books accurate.

Sales Tax:

Issues: ARA paid sales tax on some purchases
Explanation: ARA purchases small office and cleaning supplies from Wal-Mart, Target, etc and paid sales taxes.
Solution: All purchase will be from businesses that have our tax exemptions form on file or ARA file one with them before we make said purchase.

Errors on Claims:

Issues: Claims were not prepared for all disbursements or were not itemized.
Explanation: Not all claims included the detail billings or a specific explanation needed to support claim. Many of the items were meal reimbursement or travel related expenses. ARA credit card receipts were not attached to the monthly bill (they were kept in the separate file, but not attached to the claim and bill)
Solution: No claim will be paid with out the itemized bill attached to it. ARA credit card bill/claim will include and all applicable itemized receipts for that month.

Issue: Claims or invoices did not have evidence to support receipt of goods or services.
Explanation: Items such as purchase of supplies and equipment did not have a signature to document that they were received by staff.
Solution: Staff will be required to sign and date packing receipts or copy of invoice noting that item was received and when it was received by ARA.

Issues: Public funds were used to pay for items that were perceived to be personal or non business related due to the nature or lack of documentation of the bill or claim.
Explanation: Billing for past retreats included phone calls, charging of food, parking, etc as incidental expenses. Since these expenses were not itemized it could be presumed to



be a non-business expense. Also, entertainment at the holiday parties, flowers (get well, etc) were viewed as non-business expenses.

Solution: ARA will no longer offer or provide these activities or services in the future. They will no longer pay for room costs or entertainment. ARA may choose to no longer conduct retreats or holiday parties.

Finance Charges:

Issues: ARA paid financial charges for delinquent payments of vendor invoices during 2003-2005

Explanation: Due to ARA's billing/claim cycle (1st and 16th of each month) some bills were received after our claim cycle and thus resulted in a late payment.

Solution: ARA will or has requested changing the billing dates from vendors to coincide with our claim cycle. When this is not feasible ARA will request from the vendor the amount due or print a copy from the internet in the amount due to process in the claim cycle. Also, ARA may terminate an account or relationship with a vendor that is not willing to make these options available.

Alcohol Purchases:

Issues: ARA purchased alcoholic beverages and bartending services with organizations funds.

Explanation: ARA paid for alcoholic beverages at holiday party and retreats. The executive director was unaware of the stick ban the purchase of alcoholic beverages.

Solution: ARA funds will no longer be used to purchase alcoholic beverages

Thank you for inclusion of my response.

Sincerely

Eric A. Frey, II
Executive Director

CC: ARA board of Directors