

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

EXAMINATION REPORT
OF
ADMINISTRATIVE RESOURCES ASSOCIATION
BARTHOLOMEW COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
01/04/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Eric A. Frey, II	01-01-08 to 12-31-10
President of the Board	Mayor Fred Armstrong	01-01-08 to 12-31-08
	Mayor Craig Luedeman	01-01-09 to 12-31-09
	Mayor Rick Fledderman	01-01-10 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Administrative Resources Association (Association), for the period of January 1, 2008 to December 31, 2009. The Association's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Association for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 27, 2010

ADMINISTRATIVE RESOURCES ASSOCIATION
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 453,427	\$ 491,996	\$ 561,124	\$ 384,299
Rural Enterprise Loan Program	620,935	2,108	-	623,043
Nonreverting Vehicle Fund	47,173	15,000	44,568	17,605
Proprietary Fund:				
MAP/REL P II Recapture	29,453	33,859	24,656	38,656
Totals	<u>\$ 1,150,988</u>	<u>\$ 542,963</u>	<u>\$ 630,348</u>	<u>\$ 1,063,603</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 384,299	\$ 642,890	\$ 684,371	\$ 342,818
Rural Enterprise Loan Program	623,043	-	-	623,043
Nonreverting Micro Loan Program	-	11,334	-	11,334
Nonreverting Vehicle Fund	17,605	15,000	-	32,605
Proprietary Fund:				
MAP/REL P II Recapture	38,656	23,910	34,156	28,410
Fiduciary Fund:				
Payroll Fund	-	26,125	68,870	(42,745)
Totals	<u>\$ 1,063,603</u>	<u>\$ 719,259</u>	<u>\$ 787,397</u>	<u>\$ 995,465</u>

The accompanying notes are an integral part of the financial information.

ADMINISTRATIVE RESOURCES ASSOCIATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Association was established under the laws of the State of Indiana, by an interlocal agreement (dated November 28, 1973) of area cities. The Association provides general administrative services.

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 prepared and approved by the Governing Board.

Note 4. 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.

Note 5. Subsequent Event

During 2010, the Association purchased a new office building.

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient in that:

The accounting software used was a double entry system. In several instances, the entries to record payroll withholdings were not correct. In some instances, the payroll withholding entries, either the actual payroll entries or the entries to pay out the withholdings, were not made to the payroll withholding payable accounts. As a result, the payroll withholding payable accounts had incorrect balances as of each year end. We did determine that there were instances where the regular budgetary line items were used for payroll withholdings, due to errors in posting. Also, the chart of accounts did not clearly distinguish between which revenue and expense accounts are assigned to each fund. As a result, there appeared to be some differences between what should have been posted to the individual funds and what was actually posted. A similar comment was included in the prior report.

The accounting software did not provide for budgetary accounts, so spreadsheets were used to track their General fund budget and actual expenditures. The amounts that were posted to these spreadsheets did not always agree to the amounts that were obtained from the software printouts. Any supporting worksheets or monthly printouts from the accounting system should be retained for auditing purposes.

On October 1, 2009, new fund accounting software was implemented.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - PAYROLL

Controls over the payroll process were not sufficient. For 2008, the year to date gross pay for one staff member was incorrect. The W-2 gross FICA pay was overstated by \$2,106.82. The difference was found during the exam by the current bookkeeper. The year to date gross pay was overstated on the April 16, 2008 pay period, by the amount of one pay period's gross pay.

During the 2009 year end reconciling process, the current Bookkeeper had found and corrected another similar year to date gross pay overstatement, before the 2009 W-2s were issued.

During 2009, the new software was installed and a payroll fund was established. Some of the employer's share of withholdings and other payroll benefits were paid from the payroll fund; however, not all of those amounts were actually transferred to the payroll fund. As a result, the payroll fund had a negative balance as of December 31, 2009, in the amount of of \$42,745.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 7)

OVERDRAWN FUND BALANCE

The Payroll Fund was overdrawn \$42,745.28 at December 31, 2009.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2010, with Eric A. Frey, II, Executive Director, and Debra Flohr, Office Manager/Bookkeeper. The officials concurred with our findings.