

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
02/08/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Linda S. Moeller	01-01-15 to 12-31-16
Mayor	Jeff Gahan	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Warren Nash	01-01-15 to 12-31-16
President of the Common Council	Patrick McLaughlin	01-01-15 to 12-31-16
Utility Office Manager	April Dickey	01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of the City of New Albany (City), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 21, 2016

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CONTROLLER
CITY OF NEW ALBANY

CONTROLLER
CITY OF NEW ALBANY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation of some accounts did not balance.

A review of the 2015 monthly reconcilements of the City's main checking account indicated that record balances were not fully reconciled to the depository balances. As of December 31, 2015, the bank account reconciliation for the City's main checking account identified a cash short in the amount of \$148,419. Officials have been unable to determine the source of the unidentified cash variance being shown in its' financial records that exceeds the net reconciled balance for all funds accounted for in the City's main checking account. Monthly reconcilements show that the City has consistently maintained this variance since December 2013.

A review of the 2015 monthly reconcilements of one of the City's Wastewater Utility Operating accounts indicated that the record balances were not fully reconciled to the depository balance. As of December 31, 2015, the bank account reconciliation for this Wastewater Utility Operating checking account identified a cash long in the amount of \$323,693. Officials have been unable to determine the source of the unidentified cash in the bank account that has not been recorded in the records. Monthly reconcilements show that the City has consistently maintained this variance since July 2013.

A review of the 2015 Register of Investments for the City's investment accounts shows that the record balances of investments were not fully reconciled to depository balances. As of December 31, 2015, the Register of Investments included Redevelopment 05 Bond Reserve certificate of deposit (CD) in the amount of \$220,000. This reserve fund was established as a requirement of the New Albany Redevelopment District Tax Increment Revenue Bonds of 2005, which was paid off in January 2015. At maturity on March 6, 2015, the CD was not renewed and funds were deposited to City's depository account and posted to the TIF Charlestown Rd fund. No corresponding disbursement journal entry was made to the Redevelopment 05 Bond Reserve fund and as a result, the fund balance was overstated by \$220,000. City officials were in the process of correcting this error on the City's financial records.

Indiana Code 5-13-6-1(e) states: "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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



City of New Albany

City Controller

December 22, 2016

State Board of Accounts
Cities and Towns
302 West Washington Street, Room E-418
Indianapolis, IN 47204-2765

Re: Official Response of 2015 Audit

The City of New Albany is pleased with the findings of an unmodified report with no significant deficiencies as revealed during the December 21, 2016 State Board of Accounts "exit conference" for the Budget year 2015.

There was only one finding which involved an internal control procedure which was for a submitted report. That report was audited and found that it was filed on time and with no deficiencies. An additional internal control has been adopted for a staff member to verify and initial the report with a copy maintained on file prior to filing.

The comments included variances in the City's account and Wastewater Utility account. The variances began in 2003 and have been identified for a consistent period. The variance amounts that remain have stayed constant since 2013. The City now feels confident that corrective action is appropriate to fix the errors dating back to 2003 by making the appropriate journal entries to the records. In addition, a journal was needed for a Certificate of Deposit that expired and was placed into the funds of Redevelopment. The entry was done the same day it was identified and all CD's in the future will be reconciled on a monthly basis with other bank accounts.

The City thanks State Board of Accounts for their guidance.

Sincerely,

Linda Moeller

CONTROLLER
CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2016, with Linda S. Moeller, Controller; Jeff Gahan, Mayor; Patrick McLaughlin, President of the Common Council; and Shane Gibson, Corporate Council.

DEPARTMENT OF REDEVELOPMENT
CITY OF NEW ALBANY

DEPARTMENT OF REDEVELOPMENT
CITY OF NEW ALBANY
FEDERAL FINDING

FINDING 2015-001 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers and Years (or Other Identifying Numbers): B-13-MC-180018, B-14-MC-180018,
B-15-MC-180018

Condition

An effective internal control system was not in place at the City to ensure compliance with requirements related to the grant agreement and the compliance requirement pertaining to Reporting.

Context

All reports had adequate controls except the performance report.

A proper system of oversight or review had not been established for performance report: HUD 6002 Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons. The Compliance Officer entered the information into the HUD system to generate the report, but there was no oversight to ensure the accuracy of the information entered.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

DEPARTMENT OF REDEVELOPMENT
CITY OF NEW ALBANY
FEDERAL FINDING
(Continued)

Cause

Management had not developed a system of internal controls that allowed for proper oversight and review of required performance reports.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and compliance requirement pertaining to Reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



New Albany Redevelopment Commission

DEPARTMENT OF REDEVELOPMENT
ROOM 325, CITY-COUNTY BUILDING
311 HAUSS SQUARE
NEW ALBANY, INDIANA 47150-3586

Phone: 1.812.948.5333

Fax: 1.812.948.6803

CORRECTIVE ACTION PLAN

FINDING 2015-001 Reporting

Report Period: 1/1/2015 to 12/31/2015

Federal Grantor Agency: Department of Housing and Urban Development

Contact Person Responsible for Corrective Action: David Duggins

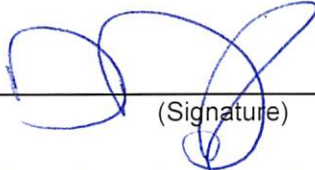
Contact Phone Number: 812-948-5333

Description of Corrective Action Plan:

The data used in the reporting to HUD is from the Section 3 contracts which are verified and signed by myself, the Public Facilities Specialist and the contractor. The Section 3 report submitted to HUD in the future will be created in the HUD program by the Financial Compliance Manager. Once submitted it will be printed and figures reviewed for accuracy by the Public Facilities Specialist, initialed and maintained on file. This will verify that the figures reported to HUD match the contracts.

The HUD reports were submitted on time with no insufficiencies.

Anticipated Completion Date: December 2016



(Signature)

Director of Redevelopment

(Title)

December 19, 2016

(Date)



DEPARTMENT OF REDEVELOPMENT
CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2016, with David C. Duggins, Jr., Economic Development and Redevelopment Director.

The contents of this report were discussed on December 21, 2016, with Linda S. Moeller, Controller; Jeff Gahan, Mayor; Patrick McLaughlin, President of the Common Council; and Shane Gibson, Corporate Council.