

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF AURORA

DEARBORN COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/28/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Benjamin Turner	01-01-19 to 12-31-23
Mayor	Donnie Hastings, Jr. Mark Drury	01-01-19 to 12-31-19 01-01-20 to 12-31-23
President of the Board of Public Works	Donnie Hastings, Jr. Mark Drury	01-01-19 to 12-31-19 01-01-20 to 12-31-23
President Pro Tempore of the Common Council	Terry Hahn	01-01-19 to 12-31-23
Superintendent of Utilities	Randolph J. Turner	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF AURORA, DEARBORN COUNTY, INDIANA

This report is supplemental to the audit report of the City of Aurora (City), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statements Audit Report of the City, which provides our opinions on the City'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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 19, 2023

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CLERK-TREASURER
CITY OF AURORA

CLERK-TREASURER
CITY OF AURORA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior Report B55550, entitled *INTERNAL CONTROLS*.

Condition and Context

The City had not separated incompatible activities related to receipts. Any of the three employees in the Clerk-Treasurer's office had the ability to write receipts, post receipts, prepare bank deposits, and had access to the accounting system to make adjustments. There was no documentation of an internal control in place, such as an oversight, review, or approval process, to ensure that receipts were properly recorded and deposited.

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. . . ."

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2018.

Condition and Context

The City did not upload any of the required files for the Utility department to the Indiana Gateway for Government Units financial reporting system during the audit period.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

CLERK-TREASURER
CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) as outlined in the State Examiner Directive 2020-3 (Directive).

The City did not follow one of the two defined options as outlined in the Directive for its public health and safety payroll costs. The City receipted the reimbursement into the CARES Act Grant fund on December 1, 2020, but did not transfer the balance to the General fund until May 2021. The balance in the fund at December 31, 2020, was \$119,620.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

CLERK-TREASURER
CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020 . . .**

(State Examiner Directive 2020-3)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The City did not properly allocate 50 percent of the distributions from the State Motor Vehicle Highway Account to the MVH Restricted sub-fund. All monies received from the State Motor Vehicle Highway Account were posted to the Motor Vehicle Highway Fund. During the audit period, the only receipts to the MVH Restricted sub-fund were interfund transfers from the Grants-Misc fund.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require . . . cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in the House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. (State Examiner Directive 2018-2)

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. (State Examiner Directive 2018-2)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF AURORA
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2018.

Condition and Context

The Clerk-Treasurer certified on the 2021 and 2022 Annual Financial Reports that the City had adopted an internal control policy and that the appropriate personnel were trained on internal control standards. While the City did adopt an internal control policy, no documentation was retained for audit to indicate that appropriate personnel were trained on those standards; therefore, the certification was incorrect.

Criteria

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

"The state examiner shall require from 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](#)."

CLERK-TREASURER
CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Benjamin Turner, Clerk-Treasurer; Terry Hahn, President Pro Tempore of the Common Council; Mark Drury, Mayor; Oren Turner, Deputy Clerk-Treasurer; Lisa White, Clerk; and Austin Woods, City Manager.

CITY COUNCIL
CITY OF AURORA

CITY COUNCIL
CITY OF AURORA
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the City Council for the audit period ending December 31, 2018.

Condition and Context

No documentation was retained showing that employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the City, received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

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."

CITY COUNCIL
CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Terry Hahn, President Pro Tempore of the Common Council.

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UTILITY SERVICE BOARD
CITY OF AURORA

UTILITY SERVICE BOARD
CITY OF AURORA
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment appeared in prior audit Report B55550, entitled *INTERNAL CONTROLS*.

Condition and Context

The Utilities department had not separated incompatible activities related to receipts. All the employees in the Utilities office had the ability to write receipts, post receipts, prepare bank deposits, and take deposits to the bank without documentation of an oversight, review, or approval process.

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. . . ."

CAPITAL ASSETS

This same comment appeared in a Management Letter addressed to the Superintendent of Utilities and Utility Service Board for the audit period ending December 31, 2018.

Condition and Context

The City's utilities department did not maintain a record of capital assets which reflected their acquisition value at any time during the audit period. Additionally, a physical inventory of assets was not taken at least every two years as required.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

UTILITY SERVICE BOARD
CITY OF AURORA
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2023, with Randolph J. Turner, Superintendent of Utilities; Deidre Trentman, Utility Office Manager; Benjamin Turner, Clerk-Treasurer; and Terry Hahn, President Pro Tempore of the Common Council.