

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ALEXANDRIA

MADISON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

11/16/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Darcy VanErman	01-01-21 to 12-31-23
Mayor	The Honorable Todd Naselroad	01-01-21 to 12-31-23
President of the Board of Public Works	The Honorable Todd Naselroad	01-01-21 to 12-31-23
President Pro Tempore of the Common Council	Patty Kuhn Amy McCurry	01-01-21 to 12-31-22 01-01-23 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ALEXANDRIA, MADISON COUNTY, INDIANA

This report is supplemental to the audit report of the City of Alexandria (City), for the period from January 1, 2021 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 Statement 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

October 31, 2023

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CLERK-TREASURER
CITY OF ALEXANDRIA

CLERK-TREASURER
CITY OF ALEXANDRIA
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, grant, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFRs contained the following errors:

Financial Data and Required Supplementary Information

- Receipts and the ending cash and investments balance for the Fire Non-Revert fund were each understated by \$147,960 in 2021.
- Receipts and the ending cash and investments balance for the Sewage Works Sinking fund were each understated by \$329,256 and \$91,260 for 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Payroll fund were each understated by \$83,731 in 2021.
- Receipts and the ending cash and investments balance for the Sewage WRKS 21A PAA 68 fund were each understated by \$29,975 and \$46,097 in 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Sewage WRKS 21B PAA 70 fund were each understated by \$472,610 and \$31,523 in 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Sewage Utility Operating fund were each understated by \$31,523 and \$46,875 in 2021 and 2022, respectively.
- Disbursements for the Econ. Dev. - Food & Beverage fund were overstated, and the ending cash and investments balance was understated, by \$31,834 in 2021.
- Disbursements for the General Fund were understated, and the ending cash and investments balance was overstated, by \$153,271 in 2021 and by \$12,990 in 2022.
- Disbursements for the Medicare Withholding fund were understated, and the ending cash and investments balance was overstated, by \$87,353 in 2021.
- Disbursements for the Sewage WRKS 21A PAA 68 fund were understated, and the ending cash and investments balances were overstated, by \$6,856 in 2021 and \$46,191 in 2022.
- Disbursements for the Sewage WRKS 21B PAA 70 fund were understated, and the ending cash and investments balances were overstated, by \$224,113 in 2021 and \$494,894 in 2022.
- Various other trivial errors were noted to several other funds.

Adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the City.

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

Accounts Payables and Receivables and Schedule of Capital Assets

The information presented for the Schedule of Payables and Receivables and the Schedule of Capital Assets could not be verified to the City's records and were not included in the Financial Statement Audit Report of the City.

Grants

Information entered into Gateway for the grants contained the following errors:

- The COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution Provider Relief Fund expenditures of \$16,213 were not reported in 2021.
- Expenditures for Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii were understated by \$435,463 in 2021.
- Expenditures of \$39,166 for Highway Planning and Construction were omitted from the schedule in 2021.
- The Coronavirus State and Local Fiscal Recovery Funds incorrectly show a pass-through amount of \$1,121,638 in 2021 and understated expenditures by \$4,246 in 2022.

Criteria

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](#)."

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

Cash and Investments

The City had not designed or implemented a system of internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments, including bank reconciliations, to ensure the accuracy and completeness of the ledgers.

During the audit period, there was no evidence that bank reconciliations were reviewed by anyone other than the preparer.

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

Receipts

The City had not designed or implemented a system of internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to receipts.

There was no documented oversight or review of receipt postings or deposits.

Financial Close and Reporting

The City had not designed or implemented a system of internal controls, which would include segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to receipts.

The Clerk-Treasurer prepared, entered, and submitted financial information for the Annual Financial Report (AFR) into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's financial statement. An oversight or review process had not been designed or implemented that would likely prevent, or detect and correct, errors on the financial statements.

Due to the lack of effective internal controls, the AFR contained the following errors:

- Receipts and the ending cash and investments balance for the Fire Non-Revert fund were each understated by \$147,960 in 2021.
- Receipts and the ending cash and investments balance for the Sewage Works Sinking fund were each understated by \$329,256 and \$91,260 for 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Payroll fund were each understated by \$83,731 in 2021.
- Receipts and the ending cash and investments balance for the Sewage WRKS 21A PAA 68 fund were each understated by \$29,975 and \$46,097 in 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Sewage WRKS 21B PAA 70 fund were each understated by \$472,610 and \$31,523 in 2021 and 2022, respectively.
- Receipts and the ending cash and investments balance for the Sewage Utility Operating fund were each understated by \$31,523 and \$46,875 in 2021 and 2022, respectively.
- Disbursements for the Econ. Dev. - Food & Beverage fund were overstated, and the ending cash and investments balance was understated by \$31,834 in 2021.
- Disbursements for the General Fund were understated, and the ending cash and investments balance was overstated by \$153,271 in 2021 and by \$12,990 in 2022.
- Disbursements for the Medicare Withholding fund were understated, and the ending cash and investments balance was overstated by \$87,353 in 2021.
- Disbursements for the Sewage WRKS 21A PAA 68 fund were understated, and the ending cash and investments balances were overstated by \$6,856 in 2021 and \$46,191 in 2022.

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

- Disbursements for the Sewage WRKS 21B PAA 70 fund were understated, and the ending cash and investments balances were overstated by \$224,113 in 2021 and \$494,894 in 2022.
- Various other trivial errors were noted to several other funds.

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

Criteria

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](#)."

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. . . ."

OVERDRAWN CASH BALANCES

This same comment also appeared in prior Reports B57973 and B58220.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn balances as of December 31, 2021, and December 31, 2022:

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

Fund	Amount Overdrawn	
	12-31-21	12-31-22
Sanitation	\$ 123,495	\$ 92,945
LOIT 2016 Special Distribution/CC	-	257,504
Fire Pension	1,152	21,513
Animal Control Non-Revert	154	66
Dog Park Non-Revert	512	512
Payroll	-	176,854
State Tax Withholding	-	4,501
County Withholding	-	2,211
Police & Fire Insurance Deduction	-	376

Criteria

The cash 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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

A physical inventory of capital assets had not been performed in the last two years. The Capital Asset Ledger was not up to date for the audit period.

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)

CLERK-TREASURER
CITY OF ALEXANDRIA
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2023, with The Honorable Todd Naselroad, Mayor; Darcy VanErman, Clerk-Treasurer; and Roger Cuneo, Common Council member.