

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RISING SUN

OHIO COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED
06/05/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rae Baker Gipson	01-01-19 to 12-31-24
Mayor	Brent Bascom	01-01-19 to 12-31-19
	Steve Slack	01-01-20 to 12-31-24
President of the Board of Public Works	Brent Bascom	01-01-19 to 12-31-19
	Steve Slack	01-01-20 to 12-31-24
President Pro Tempore of the Common Council	Dennis Williams	01-01-19 to 12-31-19
	William Marksberry	01-01-20 to 12-31-20
	Bud Radcliff	01-01-21 to 12-31-21
	Tina Rumsey Bovard	01-01-22 to 12-31-23
	Lisa Hewitt Williams	01-01-24 to 12-31-24
Utility Office Manager	Erma Siekman	01-01-19 to 12-31-24
Superintendent of Utilities	Shawn Guidice	01-01-19 to 03-29-19
	(Vacant)	03-30-19 to 03-31-19
	Scott Henry	04-01-19 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF RISING SUN, OHIO COUNTY, INDIANA

This report is supplemental to the audit report of the City of Rising Sun (City), for the period from January 1, 2019 to December 31, 2023. 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 statements. 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

May 21, 2024

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CLERK-TREASURER
CITY OF RISING SUN

CLERK-TREASURER
CITY OF RISING SUN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the City related to financial close and reporting. The City had designed internal control procedures that required the Annual Financial Report submitted in the Indiana Gateway for Government Units financial reporting system to be reviewed by a second official prior to submission; however, this review was not documented during the audit period.

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. . . ."

WRITTEN NOTICE OF MISAPPROPRIATION OF FUNDS

Condition and Context

The City was aware of an alleged instance of ghost employment for an employee of the City. The matter was handed over to the County Prosecutor, and the employee placed on leave; however, the City did not report the issue to the Indiana State Board of Accounts as required.

Criteria

Indiana Code 5-11-1-27(l) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or

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

(3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

ACCOUNTING OF COVID-19 GRANTS

Condition and Context

Internal controls were not effective to ensure that the City properly accounted for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The City did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The City established fund number 264 - COVID Cares instead of following the *Accounting and Appropriation of COVID-19 Grants* memo dated April 29, 2020, which indicated the City could utilize any fund number between 150-175. Fund number 264 was reserved for a different specified CARES purpose as outlined in the *Cares Act Fund Numbers* memo dated April 20, 2020.

The non-public health and safety payroll costs reimbursements totaling \$18,931 were receipted into the COVID Cares fund on October 13, 2020. At that time, the expenditures upon which the reimbursements were based should have been reversed and recorded in the COVID Cares fund which would have allowed for the proper processing and recording of the CARES activity and the reinstatement of the cash balance and appropriation of the originating fund.

The public health and safety payroll costs reimbursement of \$50,628 was receipted into the COVID Cares fund on November 23, 2020. At that time, the expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the General Fund which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

The above reimbursements, totaling \$69,559, remained in the fund as of December 31, 2020.

During 2021, the City received an additional reimbursement for public health and safety payroll totaling \$1,942. In June 2021, the City claimed the entire balance, \$71,501, in the COVID Cares fund to the General Fund (\$69,161), the Park Fund (\$1,895) and the MVH Fund (\$445). All funds should have been claimed to the General fund and an ordinance or resolution passed as outlined in the Directive.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

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

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

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.

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. . . .**

Transaction for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the 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 original 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 these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

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

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.**

(State Examiner Directive 2020-3)

Cares Act Fund Numbers memo dated April 20, 2020, states in part:

". . . To properly track assistance from the Provider Relief Fund, use the following Fund Number and Name: . . .

Cities and Towns Fund Number and Name
264 CARES Provider Relief Fund . . ."

Accounting and Appropriations of COVID-19 Grants memo dated April 29, 2020, (Updated September 29, 2020) states in part:

". . . In anticipation of several separate funds being necessary, the following fund numbering system should be followed: . . .

Cities/Towns: 150-175 . . ."

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:

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CLERK-TREASURER
CITY OF RISING SUN
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2024, with Rae Baker Gipson, Clerk-Treasurer; Steve Slack, Mayor; Lisa Hewitt Williams, President Pro Tempore of the Common Council; Erma Siekman, Utility Office Manager; Scott Henry, Superintendent of Utilities; and Heather Witham, Deputy Clerk-Treasurer.