

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, 2017 to December 31, 2017



FILED

11/30/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|---------------------------------|--|
| City Controller | Linda Moeller | 01-01-17 to 12-31-18 |
| Mayor | Jeff Gahan | 01-01-12 to 12-31-19 |
| President of the Board of Public Works and Safety | Warren Nash | 01-01-17 to 12-31-18 |
| President of the Common Council | Pat McLaughlin Dr. Al Knable | 01-01-17 to 12-31-17 01-01-18 to 12-31-18 |
| Utility Office Manager | April Dickey | 01-01-17 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2017 to December 31, 2017. 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 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 Results and Comments 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 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 Corrective Action Plan for the Federal Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

October 23, 2018

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CITY CONTROLLER
CITY OF NEW ALBANY

CITY CONTROLLER
CITY OF NEW ALBANY
FEDERAL FINDING

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The City had not established effective internal controls to prevent, or detect and correct, errors in the grant information entered into the Indiana Gateway for Government Units financial reporting system, which is the source of the Schedule of Expenditures of Federal Awards (SEFA).

Context

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

1. The Equitable Share Program expenditures were overstated by \$200,110.
2. The Highway Planning and Construction Cluster expenditures were overstated by \$38,414.
3. The State and Community Highway Safety Grant expenditures were understated by \$7,296.
4. Some program and project titles, pass-through entities, and identifying numbers were incorrect or were missing.

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

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. . . .

CITY CONTROLLER
CITY OF NEW ALBANY
FEDERAL FINDING
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The City's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

CITY CONTROLLER
CITY OF NEW ALBANY
FEDERAL FINDING
(Continued)

Effect

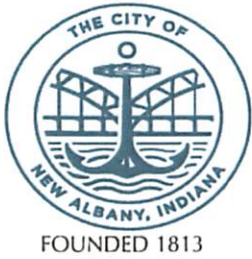
The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City's management establish controls to ensure accurate reporting of the SEFA.

Views of Responsible Officials

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



City of New Albany
Linda Moeller, City Controller

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Linda S. Moeller
Contact Phone Number: 812-948-5333

Views of Responsible Official:

1. The finding that the Equitable Share Program was overstated by \$200,110 is misleading. One of the 15 columns in the Grant section of the Annual Report is a drop down to choose that it is an Advance or Reimbursement grant. A mouse click error chose Reimbursement. It had been reported correctly in prior years. The correction has been made to change the type of Grant to Advance in the Annual Report. The amount of funds reported was not changed and remains reported correctly.
2. The overstated amount on the Highway Planning and Construction Cluster was the result of an entry error on the tracking ledger. When the entry was identified and corrected there were no deficiencies.
3. The State and Community Highway Safety Grant (OPO) was understated on the annual report by \$7,296.02. Revenue of \$863.15 and \$6432.87 was receipted into a revenue account for State Grants in error. There were no deficiencies in funds.
4. Program titles that were deemed incorrect included the symbol "&" for the word and. The abbreviation "HWY" for Highway. These were very minor updates but all corrected in the annual report.

Description of Corrective Action Plan:

Prior to figures being provided to the Controller for reporting in the Annual Report the figures will be authenticated by an additional person in that office and signed.
Upon completion of the Annual Report by the Controller, the Financial Data By Fund and Grants segments will be reviewed and signed by an individual in the Controller's Office as verification of accuracy prior to submitting in Gateway.
A policy has been established to better outline the steps and responsibilities of the Operation Pullover Grant.

Anticipated Completion Date: 10/4/2018

Linda Moeller
(Signature)

Controller
(Title)

Oct 10 2018
(Date)

CITY CONTROLLER
CITY OF NEW ALBANY
AUDIT RESULT AND COMMENT

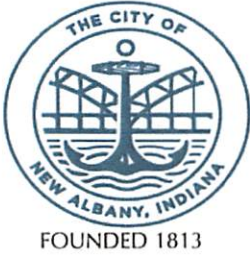
CERTIFICATION ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B51401.

The City failed to provide training on internal controls to all required personnel as required by Indiana Code 5-11-1-27(g). Although some required personnel did not receive the training, the City Controller certified on the Annual Financial Report submitted in the Gateway for Government Units financial reporting system that the City had provided the required personnel with internal control training.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."



City of New Albany
Linda Moeller, City Controller

October 31, 2018

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

Re: Official Response of 2017 Audit

The City of New Albany is pleased with the findings of an unmodified report with no significant deficiencies as revealed during the October 23, 2018 State Board of Accounts "exit conference" for the Budget year 2017.

The only Audit Comment is:

"Evidence was not presented for audit that all personnel required by statute to receive training concerning the internal controls standards approved by the Board of Works and Safety received the training."

Corrective measures have been implemented to address the concern as follows:

Each department will be reviewed to ensure that all personnel have received internal control training based on the definition of "personnel" in IC 5-11-1-27. In addition, no additional personnel were identified in the 2017 audit that were not identified in the 2016 audit.

Sincerely,

Linda Moeller

CITY CONTROLLER
CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2018, with Linda Moeller, City Controller; Jeff Gahan, Mayor; and Dr. Al Knable, President of the Common Council.

COMMON COUNCIL
CITY OF NEW ALBANY

COMMON COUNCIL
CITY OF NEW ALBANY
AUDIT RESULT AND COMMENT

INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B51401.

Evidence was not presented for audit that all personnel required by statute to receive training concerning the internal control standards approved by the Board of Public Works and Safety received the training.

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."

COMMON COUNCIL
CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2018, with Linda Moeller, City Controller; Jeff Gahan, Mayor; Al Knable, President of the Common Council.