

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ANDERSON

MADISON COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
11/21/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|------------------------------|--|
| City Controller | Douglas A. Whitham | 01-01-18 to 12-31-19 |
| Mayor | Thomas J. Broderick, Jr. | 01-01-16 to 12-31-19 |
| President of the Board of Public Works | David W. Eicks | 01-01-18 to 12-31-19 |
| President of the Common Council | Joe Newman Rebecca Crumes | 01-01-18 to 12-31-18 01-01-19 to 12-31-19 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Anderson (City), for the period from January 1, 2018 to December 31, 2018. 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 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.

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

October 28, 2019

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CITY CONTROLLER
CITY OF ANDERSON

CITY CONTROLLER
CITY OF ANDERSON
AUDIT RESULT AND COMMENT

EMPLOYEE TUITION

In 2017 and 2018, the City paid tuition costs for master's degree classes for the Deputy City Controller in the amounts of \$18,886 and \$6,738, respectively. The Deputy City Controller for whom tuition was paid left the employment of the City on June 8, 2018. The total tuition of \$25,523 was paid from City and utility funds as scheduled below:

| Fund Tuition Paid From | | | | | | Account Charged |
|------------------------|----------------------------|--------------------|-----------------|-----------------------|-----------------------|------------------------------------|
| General Fund | Slot Machine Wagering Fund | Electric Operating | Water Operating | Waste Water Operating | Storm Water Operating | |
| \$ 4,529 | \$ 1,481 | \$ - | \$ - | \$ - | \$ - | Training / Conference Registration |
| - | - | 8,729 | 4,850 | 4,850 | 1,184 | Office Supplies & Expense |

Of the tuition paid, 23 percent was paid from City funds and the remaining 77 percent was paid from utility funds. Within the utility payments, costs were split 45 percent from the Electric utility; 25 percent from Water; 25 percent from Wastewater; and 5 percent from Storm Water. Documentation of how the percent breakdown was determined was not presented for audit. In addition, tuition payments were posted to the utilities line item "office supplies and expense."

City officials indicated the Mayor, City Controller, Personnel Director, and President of the Board of Public Works determined the tuition was appropriate under an existing City policy for employee development as found in Section 17 of the City of Anderson Personnel Policies and Procedures (Personnel Policies and Procedures). Written documentation of this determination was not presented for audit.

Section 17.2 of Personnel Policies and Procedures states the purpose of the employee development program shall be to foster and promote the training and development of employees in order to improve the quality of personal services rendered by the City and provide a reservoir of occupational skills. There is no mention in Section 17 regarding the City paying for tuition related to an employee obtaining a degree in higher education and whether that would be considered "training and development" of an employee. Section 17 also refers to "employee development programs" and "career development programs," neither of which are defined in the policy.

CITY CONTROLLER
CITY OF ANDERSON
AUDIT RESULT AND COMMENT
(Continued)

In 2006, however, the Common Council adopted Ordinance 85-05, as amended, which established an "Employee Tuition Assistance Program" (Assistance Program) designed to allow the City to encourage education and proficiency in its work force. The Assistance Program can provide tuition assistance of a maximum of \$2,500/year as determined by a committee made up of the City Controller, City Attorney, Human Resources Director and designated staff, and two Common Council members.

Neither the Personnel Policies and Procedures nor Ordinance 85-05, as amended, specifically provide for the circumstances of tuition being paid directly to a university for an employee to obtain a degree in higher education. Additionally, the financial benefit provided to the former Deputy City Controller was not included in a salary ordinance or labor contract adopted by the governing body.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



City of Anderson
Mayor's Office

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765.648.6000 Office
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Email: mayorbroderick@cityofanderson.com

www.cityofanderson.com

Mayor, Thomas J. Broderick Jr.

November 7, 2019

Mr. Paul D. Joyce, CPA
State Examiner
Indiana State Board of Accounts
302 W. Washington Street, Suite E418
Indianapolis, IN 46204

Via email: ldavid@sbo.in.gov

Re: OFFICIAL RESPONSE by City regarding Audit Results and Comments relative to Employee Tuition

Dear Mr. Joyce:

Thank you for your recent efforts in your audit in the city of Anderson.

In response to your audit result and comments, the city would offer the following official response for inclusion in your final report:

The city has a policy with respect to training and development of employees. The policy is set forth in Section 17.0 et al of the City of Anderson Personnel Policy and Procedures. In part, the policy provides that the City of Anderson recognize its responsibility to encourage the development of its employees through effective training programs to enhance their ability to perform their present duties and increase their potential for future service. This policy also provides that department heads shall provide active leadership in developing employees under their supervision. In that capacity, among other things, the department head shall budget sufficient funds to secure needed career development programs and shall assess the effectiveness of career development programs and make recommendation for improvement where appropriate.

It was determined, by the controller, with the concurrence of the mayor, personnel director and the Board of Works Chairman that the further training and career development of the Deputy

Controller would be to the benefit of the city. Therefore, pursuant to the policy, the city agreed to pay the tuition costs associated with the training of the Deputy Controller. This was not a tuition reimbursement or part of a tuition reimbursement program as provided for in Ordinance 85-05. The procedures and substance of the 85-05 ordinance did not apply to these payments. The payments were processed and approved through the controller's office and presented to the full Board of Works for claim approval. Payment was made directly to the institution providing the training and not to the employee as reimbursement.

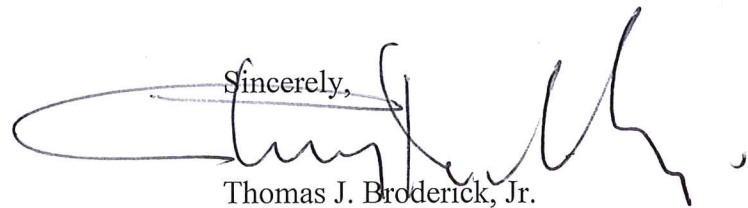
The Deputy Controller performs duties for all of the utilities, as well as, the civil city. The Deputy Controller at the time was spending the majority of her time on utility matters and the splits were determined based upon time spent in the areas of her work.

Upon learning of the State Board auditor's questions regarding these payments, the city provided to the auditors a copy of the personnel policy that authorizes payment for training of employees.

The city appreciates the State Board's remarks and will be looking at potential amendments of their policy to clarify the language as it relates to such expenditures.

Thank you again for your assistance and consideration of the inclusion of this response in your final report.

Sincerely,



Thomas J. Broderick, Jr.
Mayor, City of Anderson



Douglas Whitham
Controller, City of Anderson



David W. Eicks
Chairman, Board of Works

CITY CONTROLLER
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2019, with Rebecca Crumes, President of the Common Council, and on October 29, 2019, with Douglas A. Whitham, City Controller; Thomas J. Broderick, Jr., Mayor; and David W. Eicks, President of the Board of Public Works.

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AUDIT RESULT AND COMMENT

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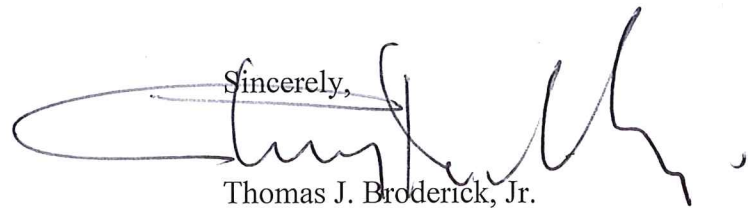
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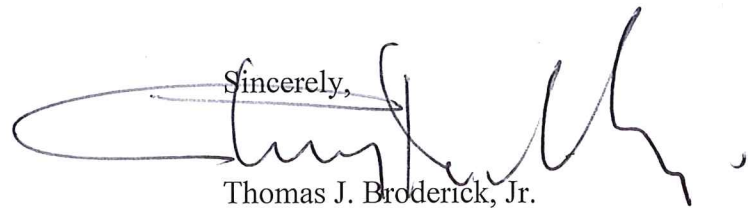
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