

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, 2020 to December 31, 2020



FILED

11/23/2021

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------------------------------------|---------------------------------|----------------------------------------------|
| City Controller | Linda Moeller | 01-01-20 to 12-31-21 |
| Mayor | Jeff Gahan | 01-01-20 to 12-31-21 |
| President of the Board of Public Works and Safety | Warren V. Nash | 01-01-20 to 12-31-21 |
| President of the Common Council | Robert Caesar Greg H. Phipps | 01-01-20 to 12-31-20 01-01-21 to 12-31-21 |
| Utility Office Manager | April Dickey | 01-01-20 to 12-31-21 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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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, 2020 to December 31, 2020. 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

November 9, 2021

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CITY CONTROLLER
CITY OF NEW ALBANY

CITY CONTROLLER
CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS

MVH RESTRICTED FUND

Condition and Context

The City failed to post at the time of the receipt 50 percent of its June distribution from the State Motor Vehicle Highway Account to the Motor Vehicle Highway Restricted fund. At year end, the error was noted, and the City made a transfer to the Motor Vehicle Highway Restricted fund, except the amount transferred was for more than 50 percent of the June distributions. The City had not passed an ordinance or resolution that would permit them to allocate more than 50 percent of the distributions to the Motor Vehicle Highway Restricted fund.

A review of the disbursements paid from the Motor Vehicle Highway Restricted fund showed that they were all for payroll related expenses. Documentation provided indicated payroll related expenses were incurred for work performed for such things as grass cutting, graffiti removal, cutting tree branches, pothole fillings, and street sweeping. These activities are not costs associated with construction, reconstruction, or preservation of the City's paved and unpaved roads, streets, bridges, and highways as required for expenditures from the Motor Vehicle Highway Restricted fund.

Criteria

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)

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. . . . (State Examiner Directive 2018-2)

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."

INTERNAL CONTROLS OVER SELF INSURANCE FUND DISBURSEMENTS

Condition and Context

The City did not have a proper system of internal controls over disbursements related to its Self Insurance fund. The City utilized a third-party administrator to process and pay the City's portion of the health insurance claims. Prior to the third-party administrator paying the processed health insurance claims, they would email the City notifying them of the total amount of the claims processed to be paid and the amount that would be withdrawn from the City's designated bank account. The emails provided did not contain details of the individual claims being paid. Journal entries were made to record the disbursements in the ledger; however, the journal entries were not always posted timely. Additionally, claims for payments made to the City's third-party administrator for the processing of the health insurance claims were not prepared, or presented for review and approval, by the Clerk-Treasurer and the Board of Public Works.

CITY CONTROLLER
CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."



City of New Albany, Indiana

Linda Moeller
City Controller

November 23, 2021

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

Re: Official Response of 2020 Audit

The City of New Albany is pleased with the findings of an unmodified report with no significant deficiencies as revealed during the November 9, 2021 State Board of Accounts "exit conference" for the Budget year 2020.

Corrective measures have been implemented to address all concerns as follows:

1. The MVH Restricted Fund exceeded the maximum revenue by 1%. The Fund is now in compliance with State Board of Accounts requirements. Acceptable expenses of the fund have been reviewed with the department so that preservation expenses are paid instead of maintenance.
2. A procedure has been established to self-audit the health insurance bank withdrawals which are related to the Self-Insurance Fund. A report is produced from the health insurance site, total dollars verified, employees verified and journal entry made. The Medical Claim amounts are included on the Board of Works Claims sheet for review and approval. An additional internal audit by the Controller's Office from January, 2021 to current revealed no instances of misapplication or use of funds.

Sincerely,

Linda Moeller

CITY CONTROLLER
CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2021, with Linda Moeller, City Controller; Jeff Gahan, Mayor; Greg H. Phipps, President of the Common Council; Shane L. Gibson, Corporate Counsel; Jason Applegate, Common Council member; Scott A. Blair, Common Council member; and Josh Turner, Common Council member.

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STREET DEPARTMENT
CITY OF NEW ALBANY

STREET DEPARTMENT
CITY OF NEW ALBANY
AUDIT RESULT AND COMMENT

MVH RESTRICTED FUND

Condition and Context

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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."

STREET DEPARTMENT
CITY OF NEW ALBANY
EXIT CONFERENCE

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