

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, 2019 to December 31, 2019



FILED
12/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jill D. Scott Darcy VanErman	01-01-19 to 12-31-19 01-01-20 to 12-31-21
Mayor	Honorable Ron Richardson Honorable Todd Naselroad	01-01-19 to 12-31-19 01-01-20 to 12-31-21
President of the Board of Public Works and Safety	Honorable Ron Richardson Honorable Todd Naselroad	01-01-19 to 12-31-19 01-01-20 to 12-31-21
President Pro Tempore of the Common Council	Patty Kuhn	01-01-19 to 12-31-21



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 our audit report of the City of Alexandria (City), for the period from January 1, 2019 to December 31, 2019. 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

December 1, 2021

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CLERK-TREASURER
CITY OF ALEXANDRIA

CLERK-TREASURER
CITY OF ALEXANDRIA
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

This same comment appeared in a Management Letter addressed to the officials of the City for the audit period ending December 31, 2018.

Condition and Context

The September, October, November, and December 2019 bank reconcilements were not performed until February 2020 due to staffing changes in the Clerk-Treasurer's office under the previous Clerk-Treasurer.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCES

This same comment appeared in a Management Letter addressed to the officials of the City for the audit period ending December 31, 2018.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn
Sanitation	\$ 79,916
LIT - Public Safety	26,555
Animal Control Non -Revert	204
Dog Park Non-Revert	512
Safety Grant	5,412

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)

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

OPERATING FUNDS USED FOR CITY EXPENSES

The same comment also appeared in prior Reports B48159 and B54171.

Condition and Context

The Water and Sewage Utility Operating funds were used to pay for expenses related to the City. The Mayor's Secretary, Mayor's Extra Help, Deputy Clerk-Treasurer, Economic Developer, and Street Assistant Superintendent salaries were allocated between the City, Water Utility, and Sewage Utility. Their time or attendance documentation did not show an allocation between each, nor did the salary ordinances specify such an allocation.

Criteria

Indiana Code 8-1.5-3-11(d) states in part: ". . . transfers may not be made from any utility funds to the general fund except from the cash reserve fund."

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.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016 - Part One)

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

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

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The Town had not implemented adequate segregation of duties as it had not separated incompatible activities related to cash and investments and receipts. Without a system of internal controls in place that operated effectively, material misstatements could have remained undetected.

Cash and Investments

The City designed an internal control in which the monthly bank reconciliations were performed by one individual and then reviewed and approved by the Clerk-Treasurer. There was no tangible evidence that the internal control was implemented.

Receipts

The City designed an internal control that required receipts to be recorded in the computer system by one individual and reviewed for accuracy by another individual. There was no tangible evidence that the internal control was implemented.

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. . . ."

CLERK-TREASURER
CITY OF ALEXANDRIA
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2021, with Darcy VanErman, Clerk-Treasurer; the Honorable Todd Naselroad, Mayor; and Patty Kuhn, President Pro Tempore of the Common Council.