

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RICHMOND

WAYNE COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

03/30/2022

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|---|--|
| City Controller | Emily Palmer | 01-01-20 to 12-31-22 |
| Mayor | David M. Snow | 01-01-20 to 12-31-22 |
| President of the Board of Public Works and Safety | Vicki Robinson | 01-01-20 to 12-31-22 |
| President of the Common Council | Ron Oler Larry Parker Gary Turner | 01-01-20 to 12-31-20 01-01-21 to 12-31-21 01-01-22 to 12-31-22 |
| President of the Board of Sanitary Commissioners | Suzanne Miller | 01-01-20 to 12-31-22 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Richmond (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.

Beth Kelley, CPA, CFE
Deputy State Examiner

March 24, 2022

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CITY CONTROLLER
CITY OF RICHMOND

CITY CONTROLLER
CITY OF RICHMOND
AUDIT RESULT AND COMMENT

CORONAVIRUS RELIEF FUND (CRF)

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the 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 8900 - Cares Act Relief Fund (Fund) instead of a fund number within the range of 2401 to 2499. These 4-digit numbers were the allocated CARES fund numbers to be used when converting from the 3-digit numbers provided for in the memo dated April 29, 2020, *Accounting and Appropriation of COVID-19 Grants*.

During 2020, the City spent \$578,149 directly out of the Fund for various non-payroll related items. The Fund was appropriated. Disbursements totaling \$482,508 were spent after the Directive was issued in September 2020. This did not follow Framework 3 as outlined in the Directive.

The Fund had a negative balance as of December 31, 2020, of \$578,149, as reimbursements from the Indiana Finance Authority (IFA) had not yet been received.

IFA reimbursements totaling \$1,261,684 were received in January and March of 2021 and were properly receipted into the designated fund. These reimbursements were used to offset the non-payroll expenditures of \$578,149 originally spent directly out of the Fund throughout 2020.

In addition, during 2021, \$138,698 was disbursed from the Fund for other expenses. The expenditures upon which the reimbursements were based should have been recorded in the 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.

Additional receipts, not from IFA, that totaled \$1,045,762 were receipted into the Fund. The receipts and related disbursements were able to be identified. The 2021 year-end balance related to the CRF grant was \$544,387, which should be claimed to the General Fund.

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). . . .

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

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.

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

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. . . .**

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.

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)**

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

Cities/Towns: 150 - 175

(The *Accounting and Appropriation of COVID-19 Grants*, April 29, 2020 (updated September 29,2020))

CITY CONTROLLER
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2022, with Emily Palmer, City Controller; Tracy McGinnis, Deputy City Controller; David M. Snow, Mayor; and Gary Turner, President of the Common Council.

RICHMOND POWER AND LIGHT
CITY OF RICHMOND

RICHMOND POWER AND LIGHT
CITY OF RICHMOND
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Richmond Power and Light had established internal controls over cash and investments; however, the internal controls were not properly implemented. There was no evidence presented that oversight or review of the monthly bank reconciliations occurred. Additionally, during a review of the Richmond Power and Light December 31, 2020 bank reconciliation, cash and investments were overstated by \$17,837.

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. . . ."

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."

RICHMOND POWER AND LIGHT
CITY OF RICHMOND
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Condition and Context

Richmond Power and Light had established internal controls related to payroll disbursements; however, the internal controls were not properly implemented. No documentation of a review or oversight of the processed payroll was presented for audit.

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:

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An integral part of the control activity component is segregation of duties. . . .

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OFFICIAL RESPONSE

March 24, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: 2020 Audit Results and Comments

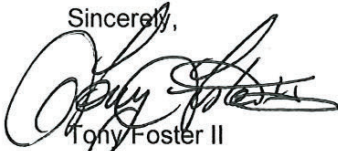
In late 2020 Richmond Power & Light completed a software conversion of all software used by the company. We converted all systems to a unified system called NISC. This conversion was challenging and time consuming. But the conversion was needed for data security and efficiency. RP&L operated entirely in 2021 using the new software.

As a result of the conversion to NISC, we are now able to pull documentation that will show all approvals and reviews of payroll submitted. We have also implemented an internal email process with our Payroll & Audit Clerk, HR Manager, and Accounting Supervisor regarding the bi-weekly payroll review process.

In addition, we will implement an internal control that documents the review process of the bank reconciliations. We will implement a similar email process for this task as well.

RP&L appreciates the time the State Board of Accounts spent reviewing our operations and we take all recommendations seriously. We look forward to working with you in the future.

Sincerely,


Tony Foster II
General Manager/CEO

RICHMOND POWER AND LIGHT
CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2022, with Sandra Lambert, Finance Manager, and Tony Foster II, General Manager/CEO.