

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PETERSBURG

PIKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
05/12/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	01-01-12 to 12-31-15
Mayor	Jon W. Craig (Vacant) Frank A. Coleman, Jr.	01-01-12 to 01-25-13 01-26-13 to 02-21-13 02-22-13 to 12-31-15
President of the Board of Public Works and Safety	Jon W. Craig (Vacant) Frank A. Coleman, Jr.	01-01-12 to 01-25-13 01-26-13 to 02-21-13 02-22-13 to 12-31-15
President Pro Tempore of the Common Council	Fran Lewis	01-01-13 to 12-31-14
President of the Water Board	Jon W. Craig (Vacant) Frank A. Coleman, Jr.	01-01-12 to 02-25-13 01-26-13 to 02-21-13 02-22-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF PETERSBURG, PIKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Petersburg (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

April 9, 2014

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CLERK-TREASURER  
CITY OF PETERSBURG

CLERK-TREASURER  
CITY OF PETERSBURG  
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (1) one federal grant was reported without taking the federal percentage into account, therefore overreporting the federal amount expended, (2) one federal grant was omitted from the report, and (3) pass-through agency information, federal program titles, and pass-through entity identification numbers were not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other indentifying number when the CFDA information is not available.

CLERK-TREASURER  
CITY OF PETERSBURG  
FEDERAL FINDINGS  
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, utility billings and collections, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent, or detect and correct, material misstatements, including notes to the financial statements.
3. Bank reconcilements were not performed adequately to detect, and subsequently correct, posting errors made to the ledger. As a result, the cash balance per the Financial Statement, which agreed to the ledger balance, was overstated when compared to the balance per the bank reconciliation.
4. Adequate internal controls were not present to detect the following deficiencies in the records presented for audit: all loan transactions were not posted to the city ledger; transactions posted to the customer deposit register were incorrect causing an unknown reconciling difference at December 31; and some utility customer accounts did not have accurate billing codes.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

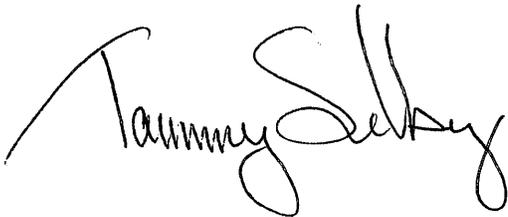
City Hall, 704 E. Main Street  
Petersburg, Indiana 47567-1231  
(812) 354-8511 • (812) 354-6720 Fax  
www.petersburg.in.gov

CORRECTIVE ACTION PLAN

FINDING NO. 2013-001 INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUDITEE CONTACT PERSON: Tammy Selby  
TITLE OF CONTACT PERSON: Clerk-Treasurer  
PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Plan: When grants are discussed at Council/Board meetings, determine if/when they are received, as well as the ending dates. All personnel dealing with grants will be consulted at annual report time to insure that all grants are included in the report before report is submitted. Also, a spreadsheet will be created and kept current through the year, listing all grants, awards and loans and any other pertinent information.



Tammy Selby  
Clerk-Treasurer  
March 20, 2014

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(812) 354-8511 • (812) 354-6720 Fax  
[www.petersburg.in.gov](http://www.petersburg.in.gov)

CORRECTIVE ACTION PLAN

FINDING NO. 2013-002 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

AUDITEE CONTACT PERSON: Tammy Selby  
TITLE OF CONTACT PERSON: Clerk-Treasurer  
PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Plan: Duties of the utility billings, collections, bank reconciliation etc., will be rotated on a monthly basis, so that each month they are all reconciled by a different employee to prevent or detect material misstatements.

The preparation of the financial reporting will also be rotated monthly to prevent or detect misstatements to the financial statements.

Bank reconcilements will be looked at more closely to prevent posting errors of investments and also of automatic withdrawal payments of bonds.



Tammy Selby  
Clerk-Treasurer  
March 20, 2014

CLERK-TREASURER  
CITY OF PETERSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2014, with Frank A. Coleman Jr., Mayor, and Tammy Selby, Clerk-Treasurer.