

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF COLUMBUS

BARTHOLOMEW COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

09/12/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Luann Welmer	01-01-22 to 12-31-23
Mayor	James D. Lienhoop	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	James D. Lienhoop	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Tom Dell Grace Kestler	01-01-22 to 12-31-22 01-01-23 to 12-31-23
Superintendent of Utilities	Roger D. Kelso	01-01-22 to 12-31-23
Manager of Finance and Business Operations	Arron O'Neal (Vacant) Jamie Brinegar	01-01-22 to 03-06-22 03-07-22 to 04-02-23 04-03-23 to 12-31-23
Airport Director	Brian Payne	01-01-22 to 12-31-23



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Columbus (City), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 28, 2023, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

City of Columbus' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 28, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Columbus' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Matter Giving Rise to Qualified Opinion on COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds, as described in item 2022-002 for Procurement and Suspension and Debarment. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated August 28, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 28, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF COLUMBUS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218		
Community Development			B17MC180020	\$ 11,529
Community Development			B18MC180020	48,012
Community Development			B19MC180020	43,518
Community Development			B20MC180020	108,681
Community Development			B21MC180020	169,175
Community Development			B22MC180020	<u>13,325</u>
Total - Community Development Block Grants/Entitlement Grants				<u>394,240</u>
COVID-19 - Community Development Block Grants/Entitlement Grants Community Development Strap	Direct Grant	14.218	B20MW180020	<u>9,567</u>
Total - CDBG - Entitlement Grants Cluster				<u>403,807</u>
Total - Department of Housing and Urban Development				<u>403,807</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Metropolitan Planning Organization			A249-21-G200193/DES 2001059	130,581
Taylor Road from 25th Street			DES 0500875	171,610
CR 350 W From Goeller Rd to ST Rd 46			DES 1401742	3,174
Talley Road			DES 1701323	26,925
Lowell Road Added Travel Lane			DES 1701325	53,600
Talley Road Bridge 103			DES 1800008	<u>5,731</u>
Total - Highway Planning and Construction				<u>391,621</u>
Total - Highway Planning and Construction Cluster				<u>391,621</u>
Federal Transit Cluster				
Federal Transit Formula Grants	Direct Grant	20.507		
IN-2016-029-00/IN-90-X698			IN-2016-029-00/IN-90-X698	17,583
IN-2020-022-00/IN-90-X761 Columbus Transit			IN-2020-022-00/IN-90-X761	25,827
IN-2021-015-00/IN-90-X782			IN-2021-015-00/IN-90-X782	879,903
IN-2022-013-00/IN-90-X808			IN-2022-013-00/IN-90-X808	<u>37,744</u>
Total - Federal Transit Formula Grants				<u>961,057</u>

CITY OF COLUMBUS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
COVID-19 - Federal Transit Formula Grants Columbus 2020 SEC 5307 Cares Act Operating Funding	Direct Grant	20.507	IN-2020-028-00/IN-90-x765	<u>64,527</u>
Total - Federal Transit Cluster				<u>1,025,584</u>
Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs AVIATION/FAA GRANT AIP 31 AVIATION-COVID/FAA GRANT AIP 33 AVIATION /FAA GRANT AIP 34	Direct Grant	20.106	3-18-0012-031-2019 3-18-0012-033-2020 3-18-0012-034-2020	<u>40,217</u> <u>262,092</u> <u>440,307</u>
Total - Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs				<u>742,616</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Metropolitan Planning Organization	Indiana Department of Transportation	20.505	A249-21-G200193/DES 2001059	<u>34,711</u>
Total - Department of Transportation				<u>2,194,532</u>
<u>Department of the Treasury</u> COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027	FY2022	<u>2,923,951</u>
Total - Department of the Treasury				<u>2,923,951</u>
Total federal awards expended				<u>\$ 5,522,290</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF COLUMBUS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.027	Federal Transit Cluster COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2022-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-001.

Condition and Context

Financial Transactions - Water and Wastewater Utilities (Utilities)

The City had not established effective internal controls over financial transactions that would likely be effective in preventing, or detecting and correcting, errors and noncompliance.

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Monthly bank reconciliations of the Utilities' funds were performed by the lead accountant, with guidance for adjustments and reconciling from a third-party consultant, and reviewed and approved by someone other than the preparer. However, due to staff vacancies, there were several reconciling items and variances between the depository balances and the financial records that were not recorded timely. In addition, year-end adjustments were not approved and adjusted in the financial software until March 2023 for reconciling items dating as far back as July 2020.

Additionally, the Utilities incorrectly included \$997,107 of backdated checks on the December 2022 reconciliation. As a result, outstanding checks at year-end were overstated for the Water Operating and Wastewater Operating accounts by \$488,729 and \$508,378, respectively.

Financial Reporting - City

The City had not established effective internal controls over the annual financial report (AFR) entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's financial statement.

The City failed to properly review the financial information prepared and submitted in Gateway. Although the Chief Deputy Clerk-Treasurer entered the information into Gateway and the Clerk-Treasurer reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial information presented for audit included errors in the funds of the Nexus Park Project. The Nexus Park Project funds, maintained by the Columbus Municipal Facilities Building Corporation, a separate legal entity, were incorrectly reported in the financial statement of the City. This resulted in the City's receipts, disbursements, and ending cash and investments balance being overstated by \$26,195,216, \$3,683,048, and \$22,512,168, respectively.

Adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report.

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. . . ."

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

A proper system of internal controls was not designed by management of the City. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper design or implementation of the components of a system of internal controls, including policies and procedures that provide segregation of duties and additional oversight as needed, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material misstatements and noncompliance. As errors occurred and went undetected as noted in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-002

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Suspension and Debarment
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Assistance Listings Number: 21.027
Federal Award Number and Year (or Other Identifying Number): FY 2022
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The City elected to receive the standard revenue loss allowance, allowing the City to claim up to \$10 million of its total State and Local Fiscal Recovery Funds (SLFRF) allocation of \$8,570,495 as revenue loss to use for government services. The U.S. Department of the Treasury (Treasury) determined that there are no subawards under the Revenue Loss eligible use category, and that recipients' use of revenue loss funds would not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award.

Prior to entering into subawards and covered transactions with SLFRF award funds, recipients are required to verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded. "Covered transactions" include, but are not limited to contracts for goods and services awarded under a non-procurement transaction (i.e., grant agreement) that are expected to equal or exceed \$25,000. The verification is to be done by checking the Excluded Parties List System (EPLS), collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Due to the Treasury's determination that the revenue loss eligible use category does not give rise to subawards, the City was only required to comply with suspension and debarment requirements related to contracts.

The City did not have any policies or procedures in place related to the SLFRF suspension and debarment requirements. A population of 14 covered transactions, totaling \$2,536,447, that equaled or exceeded \$25,000 paid from SLFRF funds were identified. There were 4 covered transactions, that were selected for testing. For each of the 4 transactions, the City did not verify the vendors' suspension or debarment status prior to payment due to the City not having any policies or procedures in place to verify that contractors were neither suspended nor debarred, or otherwise excluded or disqualified, from participating in federal assistance programs or activities. Due to the number and magnitude of exceptions identified, per auditor judgment, we concluded it would not be appropriate to expand the sample size or perform any additional audit procedures.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

31 CFR 19.300 states:

"When you enter into a covered transaction with another person at the new lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

A proper system of internal controls was not designed by management of the City. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, vendors to whom payments equal to or in excess of \$25,000 were not verified to be not suspended, debarred, or otherwise excluded.

Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the City establish a proper system of internal controls and develop policies and procedures to ensure contractors and subrecipients, as appropriate are not suspended, debarred, or otherwise excluded prior to entering into any contracts or subawards.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-001

Fiscal year in Which Audit Finding Occurred: 2020

Status of Audit Finding: Corrective Action is Ongoing. We are making progress towards Audit Finding 2021-001. In 2022, we experienced unexpected vacancies of the Manager of Finance and Business Operations and Lead Accountant positions that took several months to fill. We had a consultant perform our accounting processes during this time and converted our accounting system on January 1, 2023. Now that we are fully staffed and are getting past the learning curve with the new system, we have implemented a list of accounting procedures and controls as of June 13, 2023. We expect that the new controls will improve the timeliness of investigating any variances between the depository balances and financial records.

We plan to phase out our current billing system in early 2024 due to system limitations like not being able to properly split water and sewer amounts from credit card payments so we can make precise transfers to the water and wastewater operating checking accounts. As of May 2023, we make transfers to water and wastewater checking based on the ratio of water to wastewater on the average utility bill of 4,000 gallons per month which is 33% water and 67% wastewater.

In May 2023, we transferred \$1,312,796 of the proceeds of the 2020 Sewage Works Refunding Bonds from the wastewater operating account to the wastewater bond account. Since we do not have separate banks account within the water utility, we did not make the \$566,039 transfer but it is correctly accounted for in our water fund balances.

In August 2022, we designed and implemented a process that ensures that the Utility's payroll records agree to the Clerk-Treasurer's payroll records which is used to calculate the necessary bank transfer amounts for each payroll.

COLUMBUS CITY UTILITIES
Roger Kelso
Executive Director



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Luann G. Welmer, Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Corrective action was taken. The Airport Improvement Program grants were added back to the federal list. Going forward, Gateway screens will be printed for accurate documentation and Form 13s will be reviewed for correctness prior to audit work beginning in all subsequent audits.

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812-376-2510 • Fax: 812-376-2651



Luann G. Welmer, Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: Corrective action plan was initiated immediately by implementing a Standard Operating Procedure SOP #TO-151 and Procurement Procedures Checklist.



Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: the accounting system has been corrected to reflect the changes on the Nexus Park Project.

Anticipated Completion Date: The action plan will take place immediately.

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August 24, 2023

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: James Brinegar
Contact Phone Number: 812-372-8861

Views of Responsible Official: The Columbus City Utilities (CCU) appreciates the audit work of the Indiana State Board of Accounts and concurs with the findings as presented and has either already completed the corrective action necessary or have adapted to the recently implemented financial system to overcome the prior deficiency. Early in 2022, CCU experienced unexpected vacancies in the Manager of Finance and Business Operations and Lead Accountant positions. In the interim, we hired Baker Tilly to fill those functions and hired a part-time Internal Auditor. We take these findings seriously and our Lead Accountant, Manager of Finance and Business Operations and Internal Auditor will all take part in seeing that they are corrected.

"The City had not established effective internal controls over financial transactions that would likely be effective in preventing, or detecting and correcting, errors and noncompliance."

Description of Corrective Action Plan: CCU has added an internal auditor to its staff and now has completed the hiring of a lead accountant as well as a manager of finance & business operations. The lead accountant position was open for the majority of 2022 and the manager of finance & business operations position was unfilled for 12 months, leading CCU to hire an outside consultant (Baker-Tilly) to assist with this process. The CCU internal auditor, lead accountant, and manager of business operations, in conjunction with the outside consultant have established processes and internal controls to complete these reconcilements in a timely fashion.

Anticipated Completion Date: August 2023

"Monthly bank reconcilements of the Utilities funds were performed by the lead accountant, with guidance for adjustments and reconciling from a third-party consultant, and reviewed and approved by someone other than the preparer. However, due to staff vacancies there were several reconciling items and variances between the depository balances and the financial records that were not being recorded timely. In addition, year-end adjustments were not approved and adjusted in the financial software until March 2023, Some of the reconciling items dated back to July 2020.

Description of Corrective Action Plan: CCU has added an internal auditor to its staff and now has completed the hiring of a lead accountant as well as a manager of finance & business operations. The lead accountant position was open for the majority of 2022 and the manager of finance & business operations position was unfilled for 12 months, leading CCU to hire an outside consultant (Baker-Tilly) to assist with this process. The CCU internal auditor, lead accountant, and manager of business operations, in conjunction with the outside consultant have established process and internal controls to complete these reconcilements in a timely fashion.



COLUMBUS CITY UTILITIES

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Business – Item 5

Anticipated Completion Date: August 2023

Additionally, the Utilities included \$997,107.13 of backdated checks on the December 2022 reconciliation. The Water Operating and Wastewater Operating overreported outstanding checks at year-end in the amounts of \$488,728.67 and \$508,378.46 respectively.

Description of Corrective Action Plan: CCU transitioned to a new financial software system at the start of 2023, so that the City of Columbus and CCU are now on the same financial system. The migration to the new financial system was not complete at the time of the first check run of 2023, causing CCU to utilize the “old” financial system for the first check run of 2023, leading to the backdating of this first run of checks. CCU is now fully utilizing the “new” financial system and will not have this issue going forward.

Anticipated Completion Date: February 2023

At CCU, we appreciate our working relationship with the State Board of Accounts and look forward to displaying our improvements in our 2023 audit.

Thank you.

Jamie Brinegar

Jamie Brinegar
Mgr. of Finance & Business Operations



Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2022-002

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Prior to entering into subawards and covered transactions with SLFRF award funds the City will verify contractors and subrecipients are not suspended, debarred or otherwise excluded.

Anticipated Completion Date: The action plan will take place immediately.

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OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.