

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

SUPPLEMENTAL COMPLIANCE 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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to the audit report of the City of Columbus (City), for the period from January 1, 2022 to December 31, 2022. 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 the 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

August 28, 2023

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CLERK-TREASURER
CITY OF COLUMBUS

CLERK-TREASURER
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Financial Data

Funds of the Nexus Park Project 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 receipts, disbursements, and ending cash and investments balance being overstated by \$26,195,216, \$3,683,048, and \$22,512,168, respectively.

Audit adjustments were proposed, accepted by the City, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report.

Leases and Debt

The City incorrectly reported 127 Aviation property rental leases, which resulted in the annual lease payments due being overstated by \$1,879,969.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report.

Accounts Payable and Account Receivables

The City did not report the Aviation property rental leases, as mentioned above, as receivables; and, therefore, the Aviation Accounts Receivables were understated by \$1,879,969.

CLERK-TREASURER
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT
(Continued)

Adjustments were proposed, accepted by the City, and made to the Schedule of Payables and Receivables presented as Other Information 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. . . ."

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](#)."

CLERK-TREASURER
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2023, with Luann Welmer, Clerk-Treasurer; James D. Lienhoop, Mayor; Kim Sweet, Chief Deputy Clerk-Treasurer; Roger D. Kelso, Superintendent of Utilities; Charles W. Pride, Jr, Internal Auditor of Columbus City Utilities; Jamie Brinegar, Manager of Finance and Business Operations; Stephanie Crawford, Lead Accountant of Columbus City Utilities; Mary K. Ferdon, Executive Director of Administration; Tim Shuffett, Common Council member; and Dan Hedden, Partner of Baker Tilly.

CITY WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS

CITY WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

A similar comment also appeared in prior Reports B57914 and B59793, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the City Water and Wastewater Utilities (Utilities) related to financial transactions and reporting.

The Utilities had not developed a proper system of internal controls to ensure that transactions were posted timely and in the correct accounting period. Internal controls over the monthly reconcilements of the depository balance to the financial records for the Utilities were not effective.

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 person who prepared the monthly reconcilements. 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. Year-end adjustments were not approved and adjusted in the unit's financial software until March 2023 for reconciling items dating back as far 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.

Criteria

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CITY WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT
(Continued)

"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. . . ."

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, the amount needed to balance may be the personal obligation of the responsible official or employee. (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)

CITY WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
EXIT CONFERENCE

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