

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CANNELTON

PERRY COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
09/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joe Hermann Mary Y. Snyder John Paulin	01-01-22 to 02-14-22 02-15-22 to 09-17-23 09-18-23 to 12-31-23
Mayor	Ralph Terry	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Ralph Terry	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Robert M. Olberding	01-01-22 to 12-31-23
General Manager of the Electric and Water Utilities	Phillip Ball Chris Herzog	01-01-22 to 04-01-22 04-02-22 to 12-31-23
Superintendent of the Wastewater Utility	Jerry Ball Spencer Herzog	01-01-22 to 03-31-23 04-01-23 to 12-31-23
Street Commissioner	Chris Corley	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF CANNELTON, PERRY COUNTY, INDIANA

This report is supplemental to the audit report of the City of Cannelton (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

September 21, 2023

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CLERK-TREASURER
CITY OF CANNELTON

CLERK-TREASURER
CITY OF CANNELTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B53247, entitled *INTERNAL CONTROLS*.

Condition and Context

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** Internal control activities, an integral part of which is segregation of duties, should be in place to reduce the risks of errors in financial recording and reporting. The City had not separated incompatible activities related to financial close and reporting, cash and investments, receipts, and disbursements.
2. **Monitoring of Internal Controls:** Effective internal controls over financial reporting requires the City to monitor and evaluate the quality of the system of internal control. The City did not have a process to identify or communicate corrective actions to improve internal controls.
3. **Risk Assessment:** The City did not have a risk assessment process to identify, analyze, and respond to potential threats that could impact the internal control system.

The failure to establish a proper system of internal controls enabled material misstatements or irregularities to occur and remain undetected.

Financial Close and Reporting

The City had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Annual Financial Report (AFR) and financial statement.

The City failed to properly review the financial information prepared and submitted in Gateway to ensure all transactions of the City had been properly recorded and reported. The Clerk-Treasurer prepared and entered the financial information in Gateway; however, there was no oversight, review, or approval process in place to ensure financial transactions, the AFR, and the financial statements were accurate.

Due to the lack of internal controls, the financial information presented for audit included the following errors:

1. The City had errors in the reported beginning cash and investments balances for the City's Utility funds. The beginning cash and investments balances and also the ending cash and investments balances of the aggregated Wastewater Utility funds and Water Utility funds were overstated by \$156,725 and \$14,341, respectively. In addition, the beginning cash and investments balances and also the ending cash and investments balances of the aggregated Electric Utility funds and Trash Utility fund were understated by \$40,482 and \$53,498, respectively.
2. The City did not report the receipt and disbursement activity for eight funds in the AFR. The omission of this financial information resulted in receipts and disbursements being understated by \$7,879,901 and \$7,930,651, respectively, and the ending cash and investments balance being overstated by \$50,750.

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

3. The City had errors in the reported receipt and disbursement activity for three funds. The receipts and disbursements were understated by \$424,446 and \$443,534, respectively, and the ending cash and investments balance being overstated by \$19,088.

In total, beginning cash and investments balances were overstated by \$77,086, receipts were understated by \$8,304,347, disbursements were understated by \$8,374,185, and ending cash and investment balances were overstated by \$146,924.

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 of the City.

Cash and Investments

There were no internal controls, which would include appropriate segregation of duties, in place to ensure monthly bank reconcilements were complete and accurate.

The Clerk-Treasurer was solely responsible for recording all transactions in the ledger and preparing the bank reconcilements for the City Trash and Stormwater Utilities. The City's consultant was solely responsible for preparing the monthly bank reconciliation for the City's funds. As such, all reconcilements were prepared without a documented review or approval process to prevent, or detect and correct, errors.

In total, the City has 8 bank accounts which should be reconciled monthly to the City's ledgers. Of the 96 monthly reconcilements required during the audit period, 15 were selected for testing. Of the 15 tested, 11 did not have a properly completed bank reconciliation. Errors identified in the 11 inadequate reconcilements were as follows:

1. One reconciliation had nothing other than the bank statement.
2. Three of the reconcilements only showed an outstanding check list and did not show an adjusted bank balance.
3. Seven reconcilements had an outstanding check list, reconciling items, and an adjusted bank balance; however, there was no evidence to indicate a comparison was made to the record balance.

Receipts

The City had not established internal controls over receipts. The Clerk-Treasurer received all the money that is collected, issued the receipt, recorded the receipt, and deposited the funds to the bank. There was no segregation of duties such as an oversight, review, or approval process over receipts.

There were multiple errors with receipts for the distributions received from the state. One distribution could not be found on the ledger. Two state distributions were recorded in the wrong fund.

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

Disbursements

The City had not established internal controls over payroll disbursements. The Clerk-Treasurer was solely responsible for preparing payroll, initiating the direct deposit, and recording payroll disbursements to the ledger. There was no segregation of duties such as an oversight, review, or approval process over payroll disbursements.

For 10 of 10 payroll disbursements tested, there was no evidence of the department head's approval or signature prior to submission to the Clerk-Treasurer for processing. In addition, the payroll disbursements tested were not presented to the Common Council for their approval.

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:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes. . . ."

"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 CANNELTON
AUDIT RESULTS AND COMMENTS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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](#)."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must 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)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (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 51-15-1-1.

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)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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:

Grants

A review of the grant schedule, state distributions, and City's grant files indicated the following errors reported on the City's grant schedule:

1. The Water and Waste Disposal Systems for Rural Communities grant was omitted, which understated expenditures by \$6,018,412.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii grant was omitted, which understated expenditures by \$497,576.
3. Three grants had individually immaterial errors that resulted in misstatements of expenditures of \$22,998, in total.
4. Other errors included incorrect program names, entity identifying numbers, pass-through entity names and not properly being identified as direct grants.

Audit adjustments were proposed, accepted by the City, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the City.

Capital Assets

The City did not provide supporting documentation for the reported capital assets. The City did not have a listing of capital assets. The City chose not to present the Schedule of Capital Assets in the Financial Statement Audit Report.

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

Payables and Receivables

The amount that the City reported for the schedule of accounts payable and accounts receivable could not be verified. The City did not maintain supporting documentation. The City chose to not present the Schedule of Payables and Receivables in the Financial Statement Audit Report.

Leases and Debt

The City did not report the Wastewater Works Revenue Bonds Series 2021B which had an outstanding principal balance of \$369,000 and principal due in one year of \$8,000. For the Wastewater Works Revenue Bonds Series 2021A, the principal due in one year was understated by \$24,000. In addition, the City did not report the notes and loans payable for the trash compactor which had an outstanding principal balance of \$5,654 and principal and interest due in one year of \$5,654.

Audit 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 of the City.

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 CANNELTON
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The City could not provide evidence that all required employees received training over the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City certified on the Indiana Gateway for Government Units Financial reporting system that internal control standards were adopted and training received for the audit period. The City did not maintain documentation that training was provided for new employees during the audit period.

Criteria

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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Common Council minutes and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

The City did not comply with the State Examiner Directive and failed to upload any of the monthly and annual files on the Indiana Gateway for Government Units financial reporting system for 2022.

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

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

The same comment also appeared in prior Report B53247.

Condition and Context

The City did not properly account for capital assets. No capital asset policy, detailed capital asset ledger, or documentation of a physical inventory of capital assets being taken were provided for audit.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

A review of disbursements paid from the Motor Vehicle Highway (MVH) Restricted fund determined that four disbursements from the fund were for supplies, and were not for the construction, reconstruction, or preservation of the City's highways.

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

A review of distributions received from the state indicated that 1 of the 12 monthly state distributions for MVH was fully receipted into the Local Road and Street fund instead of being split between the Motor Vehicle Highway and the Motor Vehicle Highway Restricted funds.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented for audit included overdrawn cash balances on December 31, 2022, for the Payroll fund and the Motor Vehicle Highway fund of \$261,489 and \$27,418, respectively.

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 CANNELTON
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2023, with Mary Y. Snyder, former Clerk-Treasurer; John Paulin, Clerk-Treasurer; Ralph Terry, Mayor; Robert M. Olberding, President Pro Tempore of the Common Council; Chris Herzog, General Manager of the City Electric and Water Utilities; Edie Powers, Head Utilities Billing Clerk; Christal Moskos, former Clerk-Treasurer; and Joe Hermann, former Clerk-Treasurer.

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CITY ELECTRIC, WATER, AND WASTEWATER UTILITIES
CITY OF CANNELTON

CITY ELECTRIC, WATER, AND WASTEWATER UTILITIES
CITY OF CANNELTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - UTILITIES

A similar comment also appeared in prior Report B53247, entitled *INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not established an effective internal control system that had separated incompatible activities related to financial close and reporting, cash and investments, and disbursements for the City Electric, Water, and Wastewater Utilities (Utilities).

The City had not established monitoring processes over internal controls. Monitoring processes should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The failure to establish these internal controls could enable material misstatements to remain undetected.

Financial Close and Reporting

The City had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Annual Financial Report and financial statement.

The General Manager of the Utilities, was responsible for entering the Utilities' financial information into Gateway. For 2022, there was no financial information for the Utilities entered into Gateway or remitted to the Clerk-Treasurer, so financial information was not reported in Gateway for the Utilities.

Cash and Investments

There were no internal controls, which would include appropriate segregation of duties, in place to ensure monthly bank reconciliements were complete and accurate.

The General Manager of the Utilities was responsible for performing monthly bank reconciliements for the Utilities without any documented oversight, review, or approval process in place to ensure their accuracy.

Disbursements

The City had not established internal controls over payroll disbursements. The Clerk-Treasurer was responsible for preparing Wastewater payroll, initiating the direct deposit, and posting payroll disbursements to the ledger. There was no segregation of duties over payroll disbursements during the audit period.

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:

CITY ELECTRIC, WATER, AND WASTEWATER UTILITIES
CITY OF CANNELTON
AUDIT RESULTS AND COMMENTS
(Continued)

"Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing.
. . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes. . . ."

"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.

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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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

CAPITAL ASSETS

The same comment also appeared in prior Report B53247.

Condition and Context

The Utilities had not properly maintained a complete inventory of capital assets owned. Neither a capital asset policy, a detailed capital asset ledger, nor documentation of a physical inventory of capital assets being taken were provided for audit.

CITY ELECTRIC, WATER, AND WASTEWATER UTILITIES
CITY OF CANNELTON
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY ELECTRIC, WATER, AND WASTEWATER UTILITIES
CITY OF CANNELTON
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2023, with Mary Y. Snyder, former Clerk-Treasurer; John Paulin, Clerk-Treasurer; Ralph Terry, Mayor; Robert M. Olberding, President Pro Tempore of the Common Council; Chris Herzog, General Manager of the Electric and Water Utilities; Edie Powers, Head Utilities Billing Clerk; Christal Moskos, former Clerk-Treasurer; and Joe Hermann, former Clerk-Treasurer.

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CITY STREET DEPARTMENT
CITY OF CANNELTON

CITY STREET DEPARTMENT
CITY OF CANNELTON
AUDIT RESULT AND COMMENT

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

A review of disbursements paid from the Motor Vehicle Highway (MVH) Restricted fund determined that four disbursements from the fund were for supplies, and were not for the construction, reconstruction, or preservation of the City's highways.

A review of distributions received from the state indicated that 1 of the 12 monthly state distributions for MVH was fully receipted into the Local Road and Street fund instead of being split between the Motor Vehicle Highway and the MVH Restricted funds.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CITY STREET DEPARTMENT
CITY OF CANNELTON
EXIT CONFERENCE

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