

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PERU

MIAMI COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED

11/14/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Financial Transactions and Reporting	6
Monthly and Annual Engagement Uploads.....	7
Overdrawn Cash Balances	7-8
Certification on Internal Control Standards	8
Capital Assets	9
Annual Financial Report - Other Information	9
Exit Conference	10
Common Council:	
Audit Result and Comment:	
Training on Internal Control Standards	12
Exit Conference	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan Rylands	01-01-21 to 12-31-22
	(Vacant)	01-01-23 to 01-06-23
	Kurt Krauskopf	01-07-23 to 12-31-23
Mayor	Miles Hewitt	01-01-21 to 12-31-23
President of the Board of Public Works and Safety	Miles Hewitt	01-01-21 to 06-05-22
	Patricia Russell	06-06-22 to 10-31-22
	Miles Hewitt	11-01-22 to 12-31-23
President Pro Tempore of the Common Council	Betsy Edwards-Wolfe	01-01-21 to 12-31-21
	Patricia Russell	01-01-22 to 06-05-22
	Peter Sahaidachny	06-06-22 to 10-31-22
	Patricia Russell	11-01-22 to 12-31-22
	Peter Sahaidachny	01-01-23 to 12-31-23
Utility Office Manager	Joyce Shafer	01-01-21 to 06-01-22
	Wayne Brindle	06-02-22 to 12-31-23



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

TO: THE OFFICIALS OF THE CITY OF PERU, MIAMI COUNTY, INDIANA

This report is supplemental to the audit report of the City of Peru (City), for the period from January 1, 2021 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

November 6, 2023

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CLERK-TREASURER
CITY OF PERU

CLERK-TREASURER
CITY OF PERU
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not designed or implemented a system of effective internal controls related to financial close and reporting, receipts, and payroll disbursements.

Financial Close and Reporting

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

The financial information was prepared and submitted in Gateway by the Clerk-Treasurer without a review or approval process.

Receipts

The City had not established effective internal controls over receipts. One employee was responsible for receiving, recording, and depositing funds without an oversight or review process to ensure all funds received were properly recorded to the ledger and were properly deposited.

Payroll Disbursements

The City had not established effective internal controls over payroll disbursements. Hourly employees prepared timesheets that were sent to the payroll deputy prior to payroll being processed. The payroll deputy manually entered employee hours worked as part of the payroll process. Though gross payroll was approved, there were no procedures to ensure that the correct number of hours was input and subsequently paid to each employee.

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. . . ."

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

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

A similar comment appeared in the prior Report B58044, entitled *GATEWAY UPLOADS*.

Condition and Context

The City did not upload the required monthly and annual financial files into the Indiana Gateway for Government Units financial reporting system. For 2021 and 2022, the City properly uploaded the required monthly files for records handled directly by the Clerk-Treasurer's office but did not upload the required annual files. The required monthly and annual files related to the City's utilities were not uploaded in either year.

Criteria

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)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented in the Financial Statements Audit Report included the following funds with overdrawn cash balances at December 31, 2021 and 2022:

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

Fund	Amount Overdrawn as of December 31,	
	2021	2022
MOTOR VEHICLE HIGHWAY	\$ -	\$ 333,744
COURT COST - DUE COUNTY	-	55
PAYROLL - FEDERAL W/H	318,407	346,280
PAYROLL-FICA	10,690	-
PAYROLL-STATE W/H	22,129	43,983
PAYROLL-COUNTY W/H	19,498	23,766
PAYROLL-BACK TAXES	43	43
PAYROLL-SUPPORT	872	-
PAYROLL-TEXAS LIFE INS	-	3,956
PAYROLL-GARN Bryce Boggs	331	331
PAYROLL American Fidelit2	-	1,042
PAYROLL DIRECT DEP/HSA	-	85,158
PAYROLL-AFLAC 125	27	7
PAYROLL-HEALTH SAV. ACCT.	145	-
PAYROLL-VISION	61	152
PAYROLL-CIVIL PERF	57,488	28,650
PAYROLL-VOLUNT.CIVIL PERF	26,140	69,046
PAYROLL-FIRE RETIREMENT	4,392	9,833

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City incorrectly certified in the Annual Financial Report that City personnel had received training regarding internal control standards adopted by the City for the audit period. The City was unable to provide documentation that the requisite personnel had completed the training on internal control standards.

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](#)."

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

CAPITAL ASSETS

Condition and Context

The City maintained a detailed listing of capital assets; however, the asset records provided for audit did not reflect all additions for the current audit period. Additionally, no supporting documentation was presented to show that an inventory of capital assets was conducted on an annual basis as required by City of Peru Common Council Resolution #19-2021.

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 Indiana Cities and Towns, Chapter 1)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

The City reported capital assets in the Indiana Gateway for Government Units (Gateway) financial reporting system. The amount reported was not supported by documentation provided by the City. Due to material differences, the capital asset information reported on the Annual Financial Report was excluded from presentation in the Financial Statements Audit Report of the City.

The City had not reported leases in Gateway. Audit adjustments were proposed, approved by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the City.

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](#)."

Each reporting entity shall be permitted to report lease and debt information on this schedule. If presented, the schedule should include all outstanding lease and debt at the end of the fiscal year. (Accounting and Financial Reporting Regulation Manual- 2011, Part III)

CLERK-TREASURER
CITY OF PERU
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2023, via phone call, with Susan Rylands, prior Clerk-Treasurer.

The contents of this report were discussed on November 6, 2023, with Kurt Krauskopf, Clerk-Treasurer; Miles Hewitt, Mayor; Peter Sahaidachny, President Pro Tempore of the Common Council; Patricia Russell, Common Council member; Kathleen Plothow, Common Council member; Joshua Chance, Utility General Manager; Wayne Brindle, Utility Office Manager; Mary Costin, President of the Utility Service Board; and Theresa Jones, HR/Payroll Deputy Clerk-Treasurer.

COMMON COUNCIL
CITY OF PERU

COMMON COUNCIL
CITY OF PERU
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Common Council did not ensure that all applicable personnel had received training on the internal control standards and procedures adopted by the City. Of the eight personnel selected for testing, documentation of training on internal control standards was not presented for three of the employees.

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."

COMMON COUNCIL
CITY OF PERU
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2023, via phone call, with Susan Rylands, prior Clerk-Treasurer.

The contents of this report were discussed on November 6, 2023, with Kurt Krauskopf, Clerk-Treasurer; Miles Hewitt, Mayor; Peter Sahaidachny, President Pro Tempore of the Common Council; Patricia Russell, Common Council member; Kathleen Plothow, Common Council member; Joshua Chance, Utility General Manager; Wayne Brindle, Utility Office Manager; Mary Costin, President of the Utility Service Board; and Theresa Jones, HR/Payroll Deputy Clerk-Treasurer.