

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PETERSBURG

PIKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

09/09/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tammy Selby	01-01-23 to 12-31-24
Mayor	R.C. Klipsch	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	R.C. Klipsch	01-01-23 to 12-31-24
President Pro Tempore of the Common Council	Scott Jenkins	01-01-23 to 12-31-24
President of the Water Board	R.C. Klipsch	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the City of Petersburg (City), for the period from January 1, 2022 to December 31, 2023. 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 22, 2024

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CLERK-TREASURER
CITY OF PETERSBURG

CLERK-TREASURER
CITY OF PETERSBURG
AUDIT RESULT AND COMMENT

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

A similar comment also appeared in prior Report B60397, entitled *INTERNAL CONTROLS*, and Report 000000216S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial 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, which is the source of the City's Schedule of Expenditures of Federal Awards (SEFA), Schedule of Leases and Debt, and Schedule of Capital Assets.

The City filed its reports as prescribed; however, the internal controls over the financial information entered into Gateway were not effective. Although the Clerk-Treasurer compiled, reviewed, and entered the City's financial information in Gateway, and the Deputy Clerk-Treasurer reviewed the information prior to the Clerk-Treasurer certifying the information entered was accurate, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

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

Grants Schedule

The Water and Waste Disposal Systems for Rural Communities federal expenditures were overstated by \$407,973.

Adjustments were proposed, accepted by the City, and made to the SEFA presented in the Federal Compliance Audit Report of the City.

Debt Schedule

The interim loan with German American Bank and the 2023 Wastewater BAN were both listed on the debt schedule in the amount of \$678,000 and \$4,485,000, respectively; however, they were paid off during 2023 resulting in the overstatement of ending principal balance and principal due within one year.

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.

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

Capital Asset Schedule

The capital asset schedule was completed reflecting \$30,511,598 in total assets; however, according to the capital asset ledger maintained by the City, the total capital assets of the City was \$31,122,816. Due to the capital assets not being reported correctly, the City decided not to present the Schedule of Capital Assets as part of its Financial Statement Audit Report.

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 as set forth in the uniform compliance guidelines. 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](#)."

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. . . ."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF PETERSBURG
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2024, with Tammy Selby, Clerk-Treasurer; R.C. Klipsch, Mayor; Scott Jenkins, President Pro Tempore of the Common Council; and Brian H. Willis, Common Council member.

COMMON COUNCIL
CITY OF PETERSBURG

COMMON COUNCIL
CITY OF PETERSBURG
AUDIT RESULT AND COMMENT

BUILD OPERATE TRANSFER PUBLIC PRIVATE AGREEMENT

Condition and Context

During the audit period, the City, through its municipal utility, entered into an agreement with a developer to construct a water line and booster station and related improvements at the River Birch Booster Station. The agreement purports to have been entered into pursuant Indiana Code 5-23, Indiana's Build Operate Transfer statutes. However, state law requires that a political subdivision can only avail themselves of this procurement method if they have adopted the provisions of Indiana Code 5-23 by ordinance or resolution. After reviewing current purchasing policies and ordinances, no ordinance or resolutions were presented for audit that would have complied with the requirements of Indiana Code 5-23-1-1. The City did not have adequate internal controls to ensure compliance with the provisions of Indiana Code 5-23.

Criteria

Indiana Code 5-23-1-1 states:

"This article applies to the following:

- (1) The state.
- (2) A political subdivision in a county containing a consolidated city.
- (3) A political subdivision in a county where:
 - (A) the legislative body of the political subdivision; or
 - (B) if the political subdivision does not have a legislative body, the fiscal body of the political subdivision; adopts the provisions of this article by resolution or ordinance."

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:

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CITY OF PETERSBURG
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