

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF RENSSELAER

JASPER COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

07/29/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Frieda Bretzinger Shelby Keys	01-01-22 to 10-06-22 10-07-22 to 12-31-24
Mayor	Stephen Wood Jeffrey S. Phillips	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works	Stephen Wood Jeffrey S. Phillips	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	George Cover Noelle Weishaar	01-01-22 to 12-31-23 01-01-24 to 12-31-24
Utility Office Manager	Heather Smart	01-01-22 to 12-31-24



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 RENSSELAER, JASPER 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 Rensselaer (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 July 15, 2024, 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 items 2022-001 and 2022-002, 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 items 2022-001 and 2022-002.

City of Rensselaer's 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

July 15, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 RENSSELAER, JASPER COUNTY, INDIANA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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 major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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.

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.

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

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.

Report on Internal Control over Compliance

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.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

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 July 15, 2024, 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

July 15, 2024

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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.

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CITY OF RENSSELAER
 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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760			
WW LTCP Phase IIa			FY2022		
RD Loan - 04				\$ -	\$ 127,816
RD Loan - 06				-	3,639,000
				<u>-</u>	<u>3,766,816</u>
Total - Department of Agriculture					
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Criminal Justice Traffic Safety			CHIRP 2021-00084	-	2,952
				<u>-</u>	<u>2,952</u>
Total - Highway Safety Cluster					
Total - Department of Transportation					
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Indiana Finance Authority	21.027			
Coronavirus Local Fiscal Recovery			FY2022	-	4,500
				<u>-</u>	<u>4,500</u>
Total - Department of the Treasury					
Total federal awards expended				<u>\$ -</u>	<u>\$ 3,774,268</u>

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

CITY OF RENSSELAER
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 RENSSELAER
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 program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
10.760	Water and Waste Disposal Systems for Rural Communities	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000		
Auditee qualified as low-risk auditee?		no

Section II - Financial Statement Findings

FINDING 2022-001

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

Condition and Context

The City had not separated incompatible activities related to receipt and disbursement transfers between funds and financial reporting. A segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

Receipts and Disbursements - Transfers Between Funds

The City had not properly designed or implemented internal controls over recording transactions for transfers between funds to ensure the accuracy and completeness of the ledgers and financial statement.

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

Receipts and disbursements are to be recorded at the time of the transaction.

Transactions recorded for transfers between funds were not completed timely as follows:

- Monthly transfers between the Sewage Construction and 2022 Sewage BAN funds were not recorded at the time of transaction. From May through November, the City recorded monthly receipts in the Sewage Construction fund for transfers totaling \$3,156,280. However, the related monthly disbursements for the transfers out of the 2022 Sewage BAN fund were not recorded in 2022.

On January 19, 2023, the City recorded the related transfer out disbursement total of \$3,156,280, which was between 2 and 8 months after the time of the transaction. The City reported the accurate totals for the transfers between funds in the 2022 financial statement.

- The City maintained a separate bank account for the Fire Station 2015 Debt Service fund. The City transferred funds from the TIF Allocation fund to the Fire Station 2015 Debt Service for the next debt payment. The City recorded the transactions of the Fire Station 2015 Debt Service fund based upon the bank statement activity and not at the time of the transaction. This resulted in the November 2022 disbursement from the TIF Allocation fund to not be receipted to the Fire Station 2015 Debt Service fund in November or December.

On January 10, 2023, the City recorded the related transfer receipt. The financial statement was not adjusted for the untimely posting.

- The City maintained separate bank accounts for the Water SRF Bond & Interest and Water SRF DSR funds as required. Monthly transfers from the Water Operating fund to the Water SRF Bond & Interest and Water SRF DSR funds were required to ensure the repayment of debt. The City recorded the transactions of the Water SRF Bond & Interest and Water SRF DSR funds based upon the bank statement activity and not at the time of the transaction. This resulted in the monthly disbursements from the Water Operating fund to not be receipted until the following month to the Water SRF Bond & Interest and Water SRF DSR funds. The financial statement was not adjusted for the untimely posting.

Financial Reporting

The City had not established effective internal controls over the preparation of the Annual Financial Report (AFR) financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The AFR was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

Furthermore, the City utilities ledgers are maintained on the accrual basis of accounting and are converted to cash basis for reporting in the AFR. The City contracted with a consultant to determine the adjustments needed to convert the accrual basis ledger to cash basis for reporting in the AFR and financial statement. However, the City had not designed or implemented an oversight or review process of the consultant's adjustments to ensure the accuracy and completeness of the AFR.

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

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. . . ."

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)

Cause

The City had not established a proper system of internal controls or processes over transfers between funds receipts and disbursements ensuring all financial transactions of the City were posted at the time of the transaction. In addition, a system of internal controls was not designed or implemented overseeing the work of the consultant during the conversion from an accrual basis ledger to cash basis AFR or prior to the submission of the AFR ensuring the accuracy and completeness of the AFR and financial statement.

Effect

Without a proper system of internal control in place, the City's financial statement could be incomplete and contain uncorrected misstatements, which may mislead end users of the City's financial statement.

Views of Responsible Officials

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

FINDING 2022-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

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

Condition and Context

The City is required to file financial reports after the close of each calendar year. The reports are to be filed electronically as prescribed.

The City filed its reports as prescribed; however, the internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA) were not properly designed or implemented.

The federal grant information prepared and submitted in Gateway was not properly reviewed by the City. One individual prepared and entered the federal award information into Gateway, which was submitted without evidence of an oversight or review process to ensure the accuracy and completeness of the federal grant information.

Due to the lack of internal controls, the SEFA presented for audit omitted the Water and Waste Disposal Systems for Rural Communities grant, which understated expenditures by \$3,766,816.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this 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 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](#)."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

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

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

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 OF RENSSELAER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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. . . ."

Cause

Management of the City had not established a system of internal controls ensuring the completeness of the federal expenditures reported on the SEFA.

Effect

Without the proper implementation of an effectively designed system of internal controls, the City cannot detect and correct misstatements of the SEFA. The SEFA contained the omission identified in the *Condition and Context*. Additionally, due to this omission, the required Single Audit was not performed within 9 months after the end of the City's fiscal year as required. The City may be imposed with additional conditions by the federal awarding agency for noncompliance.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

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



CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*
SHELBY E. KEYS, *Clerk-Treasurer*

COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*
NOELLE WEISHAAR, *Second Ward*
JEFF RAYBURN, *Third Ward*
ERNEST WATSON, *Fourth Ward*
RUSSELL OVERTON, *At-Large*

CORRECTIVE ACTION PLAN

FINDING 2022-001

Finding Subject: Financial Transactions and Reporting

Summary of Finding: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Shelby E. Keys

Contact Phone Number and Email Address: 219-866-9599 skeys@cityofrensselaer.in

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

Audited simultaneously, no time for corrective action to be corrected.

At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR.

For End of Year adjustments made for the City utilities conversion from accrual basis to cash basis of accounting the Clerk Treasurer and the Utilities Manager will both review the adjustments entered by the contracted Financial Consultants and sign off on the Accrual Journal Entry packet received from said Consultants. The Clerk Treasurer will review the information entered into the Gateway platform and the Utilities Manager will review the adjustments made into the financial software. This will ensure that the adjustments entered into the AFR are accurate and timely with financial software.

For transfers we will use the claim and receipt process in which will ensure that all claims for transfers and are included on the claim docket for approval at the City Council board meetings. This process will also ensure that the transfer is recorded both on the disbursement and the receipt side, as it will be complete simultaneously.

Transactions related to the TIF bank accounts were previously recorded upon receiving the bank statement. We will request bank statements if we do not receive them on a monthly basis, regardless if there is activity present to ensure all transactions are included. We will also ensure that transfers made are recorded both on the receipt and the disbursement end at the time of the transfer through a claim and receipt process. This will ensure that there are no lapses in the time recorded to the time of transaction.



CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, *Mayor*
SHELBY E. KEYS, *Clerk-Treasurer*

COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*
NOELLE WEISHAAR, *Second Ward*
JEFF RAYBURN, *Third Ward*
ERNEST WATSON, *Fourth Ward*
RUSSELL OVERTON, *At-Large*

Utility transfers will follow the same process as stated previously to ensure it is recorded on both the receipt side and the disbursement side in a timely manner.

Anticipated Completion Date:

Audited simultaneously, no time for corrective action to be corrected prior to the 2023 audit. However, the Anticipated Completion Date is March 1, 2025.





CITY OF RENSSELAER

RENSSELAER, INDIANA

JEFFREY S. PHILLIPS, Mayor
SHELBY E. KEYS, Clerk-Treasurer

COUNCIL MEMBERS

KEVIN M. ARMOLD, *First Ward*
NOELLE WEISHAAR, *Second Ward*
JEFF RAYBURN, *Third Ward*
ERNEST WATSON, *Fourth Ward*
RUSSELL OVERTON, *At-Large*

CORRECTIVE ACTION PLAN

FINDING 2022-002

Finding Subject: Preparation of the Schedule of Expenditures of Federal Awards
Summary of Finding: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Shelby E. Keys
Contact Phone Number and Email Address: 219-866-9599 skeys@cityofrensselaer.in.com

Views of Responsible Officials:
We concur with the finding

Description of Corrective Action Plan:

At end of year the Clerk Treasurer will enter the Annual Financial Report (AFR) information which will include the grants reported on the Schedule of Expenditures of Federal Awards into the Indiana Gateway for Government Units (Gateway) and print the entered information (prior to submission). A knowledgeable employee (Deputy Clerk Treasurer) will review the information to ensure it was entered correctly and sign of stating her review. The AFR will also be presented for approval to the City Council board at the monthly board meeting. Once reviewed and approved the Clerk Treasurer will submit the AFR.

Grants will be tracked within their own individual fund, that will be created at the time of the grant approval and maintain all the receipts and expenditures related to said grant. A grant folder will be created for each Grant awarded and documentation will be maintained in said folder to ensure at the end of the year all items are easily identified. At the end of the year the Clerk Treasurer will run a fund report and use the associated funds to created the SEFA.

To ensure that the correct name and CFDA number are used for each Grant, reference will be made to the Grant Award letter. If the information is not found within that document, contact will be made with the appropriate department to obtain the needed information. The Schedule of Expenditures of Federal Awards will be input and submitted into Gateway by the Clerk Treasurer and reviewed to supporting documentation to ensure accuracy by the Deputy Clerk Treasurer and approved at the City Council Board meetings.

Anticipated Completion Date:

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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/>.