

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF TELL CITY

PERRY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
04/11/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny S. Richter	01-01-12 to 12-31-19
Mayor	Barbara L. Ewing James K. Adams	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Barbara L. Ewing James K. Adams	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Gerald W. Yackle Chris Cail	01-01-14 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Water Utility	R. Dale Poole	01-01-14 to 12-31-17
Superintendent of Wastewater Utility	Bruce W. Badger	01-01-14 to 12-31-17
Water/Wastewater Utility Office Manager	Janet K. Damin	01-01-14 to 12-31-17
Superintendent of Electric Utility	Marlow J. Smethurst Dennis Dixon	01-01-14 to 12-31-14 01-01-15 to 12-31-17
Electric Utility Office Manager	Lynne E. Rice	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Tell City (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 6, 2017

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CLERK-TREASURER
CITY OF TELL CITY

CLERK-TREASURER
CITY OF TELL CITY
FEDERAL FINDING

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL TRANSACTIONS AND BILLINGS***

Condition

There were deficiencies in the internal control system of the Wastewater Utility (Utility) related to financial transactions and billing. The Utility did not have a proper system of internal control in place to prevent, or detect and correct, errors in billings. The Utility Office Manager performed all billing and receipting procedures with no oversight or review to verify that billings were completed accurately and completely.

Context

The September 2014 Wastewater billing included a contractual rate change for Branchville Correctional Facility. This rate reduction was also incorrectly applied to three additional institutional customers' accounts. The incorrect lower billing rate remained on the accounts for 26 months until detected during the completion of a rate study that was being conducted by an outside firm. The resulting loss of income to the Utility as a result of the incorrect billing totaled \$128,193.

The incorrect billing rates were applied to the three identified accounts, no other customers were affected. The rates were corrected for the three customers as of the November 2016 billing 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 publication, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this manual:

CLERK-TREASURER
CITY OF TELL CITY
FEDERAL FINDING
(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. . . ."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management of the Utility had not established a proper system of internal control that would have ensured accuracy of the application of billing rates.

Effect

Without a proper system of internal control in place that operated effectively, billing errors went undetected.

Views of Responsible Officials

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

TELL CITY WATER, SEWER & TRASH DEPARTMENT

City Hall • P.O. Box 217
Tell City, IN 47586

CORRECTIVE ACTION PLAN

Tel. (812) 547-3266
Fax (812) 548-4046

FINDING 2014-001

Contact Person Responsible for Corrective Action: Janet Damin

Contact Phone Number: 812-547-3266

Views of Responsible Action Official: We concur with the finding.

Description of Corrective Action Plan:

CASH:

Posting receipts are done by one or two workers, Janet, Joane Bonnie or Shelly, depending on the elevation of the stubs needed to be posted. A tally is done on all checks by any worker available. They will have a grand total of both drawers' cash sheets. Janet verifies the posted totals with the two drawers' totals. Either Joane or Janet make up the individual deposits. The deposits are doubled checked by any worker with the printed computer totals. Any other worker in this office may do these jobs.

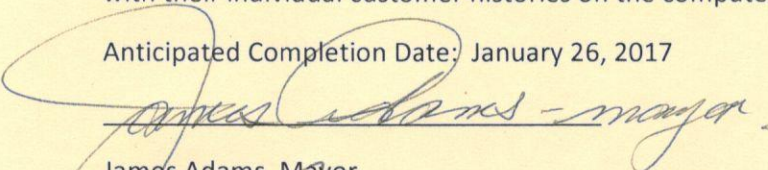
BILLING:

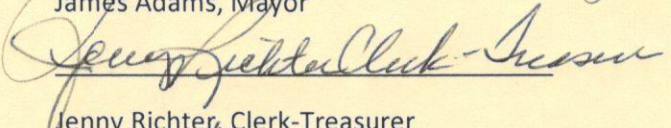
The various steps of billing customers are known to the office staff, from the step of entering the meter readings, to checking the consumptions and dollar amounts on the billing edit and finding any errors or additions needed. This process is done equally by Janet, Bonnie, Joane, and Shelly. Corrections are made by Janet, Bonnie, Joane and Shelly.

The country route (Routes 30 & 31) readings are received usually during the last week of the month from And-Tro Water Corporation. The readings are copied to the meter book because And-Tro has a different number system and our office needs to add a "0" to their individual readings. This helps in putting consumptions into the computer. The process also gives another knowledge of the level of usage that the customer uses each month. Readings are then entered into the system, calculated and a printed billing edit is made to check consumptions and dollar amounts.

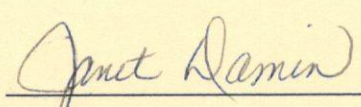
The policy of entering the consumptions of this route into the computer is done by Janet. Calculations will be checked by Joane or any other office worker available. There will be a more open policy to have other available personnel in the office to enter the readings, process and check the consumptions and dollar amounts on the edit. The few larger users' consumptions and dollar amounts will be checked with their individual customer histories on the computer.

Anticipated Completion Date: January 26, 2017


James Adams, Mayor


Jenny Richter, Clerk-Treasurer

Date: 1/26/2017


Janet Damin, Office Mgr.

CLERK-TREASURER
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2017, with Jenny S. Richter, Clerk-Treasurer; Chris Cail, President Pro Tempore of the Common Council; James K. Adams, Mayor; Janet K. Damin, Water/Wastewater Utility Office Manager; Dennis Dixon, Superintendent of Electric Utility; and Lynne E. Rice, Electric Utility Office Manager.