B49055

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF RENSSELAER

JASPER COUNTY, INDIANA

January 1, 2013 to December 31, 2016

FILED
11/30/2017

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Frieda Bretzinger	01-01-12 to 12-31-19
Mayor	Stephen A. Wood	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	George Cover	01-01-13 to 12-31-17
Utility Office Manager	Heather Smart	01-01-13 to 12-31-17

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF RENSSELAER, JASPER COUNTY, INDIANA

This report is supplemental to our examination report of the City of Rensselaer (City), for the period from January 1, 2013 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Examination Report of the City, which provides our opinion on the City's financial statements. 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 Examination Result and Comment contained herein describes the identified reportable instance 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 Examination Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 14, 2017

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CLERK-TREASURER
CITY OF RENSSELAER

CLERK-TREASURER
CITY OF RENSSELAER
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The City had not established a proper system of internal control to prevent, or detect and correct, errors on the financial statements. The Clerk-Treasurer independently prepared the financial statements for inclusion into the Annual Financial Report without any oversight, review, or approval process to verify the accuracy of the information and amounts. For example, due to a change in computer software the City underreported receipts and disbursements by $4,545,296 that were not included in the 2016 financial statement.

Examination adjustments were proposed, accepted by the City, and made to the financial statements.

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. . . ."

CITY OF RENSSELAER

RENSSELAER, INDIANA

STEPHEN A. WOOD, *Mayor*
FRIEDA BRETZINGER, *Clerk-Treasurer*

COUNCIL MEMBERS
WILLIAM HOLLERMAN, *First Ward*
RICK L ODLE, *Second Ward*
GEORGE T. COVER, *Third Ward*
ERNEST WATSON, *Fourth Ward*
SCOTT BARTON, *At-Large*

November 27, 2017

To Whom It May Concern,

This is in response to the results and comments of our audit for fiscal years 2013, 2014, 2015 and 2016.

The comment was made regarding Internal Controls pertaining to our 2016 Annual Financial Report which I wish to address. During January and February of 2017 while I was preparing the annual report my husband was very sick. He was undergoing treatments, procedures and two surgeries at that time so I was not able to work on the Financial Data by Fund portion of the report. I hired Umbaugh and Associates to prepare and upload that portion of the annual report to Gateway. Within two weeks of the February 28th deadline I contacted Umbaugh and Associates and they were still working on it. We had changed software packages during 2016 and Umbaugh was working on the conversion. They did many journal entries on the utility side and this was causing some delays. They uploaded the Financial Data by Fund report on February 28, 2017. When I viewed it I contacted them as the Receipts and Disbursements were greatly inflated. I was told it should not be as the journal entries should not have affected cash. They went back and found errors which they corrected. I had to unsubmit the report on March 1, 2017 and they uploaded their corrected version that day. It was still wrong and I didn't realize it until after it was due.

Sincerely,

Frieda Bretzinger

Frieda Bretzinger, IAMC
Clerk-Treasurer
City of Rensselaer

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CLERK TREASURER
CITY OF RENSSELAER
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2017, with Frieda Bretzinger, Clerk-Treasurer; Stephen A. Wood, Mayor; George Cover, President Pro Tempore of the Common Council; and Heather Smart, Utility Office Manager.