

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, 2018 to December 31, 2020



FILED

11/15/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jenny S. Richter Connie A. Berger	01-01-18 to 12-31-19 01-01-20 to 12-31-21
Mayor	James K. Adams Chris Cail	01-01-18 to 12-31-19 01-01-20 to 12-31-21
President of the Board of Public Works and Safety	James K. Adams Chris Cail	01-01-18 to 12-31-19 01-01-20 to 12-31-21
President Pro Tempore of the Common Council	Chris Cail Gary Morton	01-01-18 to 12-31-19 01-01-20 to 12-31-21
Superintendent of Water Utility	R. Dale Poole Brent Badger	01-01-18 to 03-31-20 04-01-20 to 12-31-21
Superintendent of Wastewater Utility	Bruce W. Badger Chris Toothman	01-01-18 to 05-31-19 06-01-19 to 12-31-21
Water/Wastewater Utility Office manager	Janet K. Damin	01-01-18 to 12-31-21
Electric Utility General Manager	Dennis Dixon Andy Hicks	01-01-18 to 10-01-21 10-02-21 to 12-31-21
Electric Utility Accounting Manager	Paige Schank	01-01-18 to 12-31-21
Chair of Tell City Electric Utility Board	John B. Land	01-01-18 to 12-31-21



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, 2018 to December 31, 2020. 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 our Financial Statements Audit Report of the City, which provides our opinions 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 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.

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

November 3, 2021

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CLERK-TREASURER
CITY OF TELL CITY

CLERK-TREASURER
CITY OF TELL CITY
AUDIT RESULTS AND COMMENTS

ACCOUNTING AND APPROPRIATION FOR COVID-19 GRANTS

Condition and Context

The City did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options and frameworks outlined in State Examiner Directive 2020-3 (Directive).

The City receipted its payroll related reimbursement into the CARES fund. A portion of the reimbursement was then transferred to the General fund. However, there was not a resolution or ordinance passed as outlined for reimbursed public health and safety payroll costs in option two of the Directive.

Reimbursements from the Indiana Finance Authority (IFA) for some non-payroll disbursements were receipted directly into the General fund where the original disbursements were made instead of receipting the money into the CARES fund, and processing reversing entries as outlined in framework one of the Directive. By not receipting the money into the CARES fund and processing reversing entries the activity was not reflected in the correct funds, and appropriations were not re-established in the General fund. Additionally, the City continued to post disbursements directly to the CARES fund after October, instead of reverting to framework one as outlined in the Directive.

Reimbursements received from IFA in December for payroll offset non-payroll disbursements in the CARES fund, which were spent without appropriation, and the remaining amount was transferred to the General fund bringing the CARES fund balance to zero at the end of the year end.

Criteria

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

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

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. . . .

Framework Three. If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item. . . . (State Examiner Directive 2020-3)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

A deficiency in the internal control system for the City related to financial close and reporting was identified. The City had not separated incompatible activities related to all areas of the financial statements. The Clerk-Treasurer prepared and submitted the Annual Financial Reports through the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements. The City did not have internal controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the information prior to submission. Failure to establish these internal controls could have enabled material misstatements to occur and remain undetected.

CLERK-TREASURER
CITY OF TELL CITY
AUDIT RESULTS AND COMMENTS
(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. . . ."

CLERK-TREASURER
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2021, with Connie A. Berger, Clerk-Treasurer; Chris Cail, Mayor; Gary Morton, President Pro Tempore of the Common Council; and Larry Kleeman, Common Council member.

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BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TELL CITY

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TELL CITY
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS - COLLECTION OF AMOUNTS DUE

Condition and Context

The City's adopted rate ordinance for the Wastewater Utility, stated that the wholesale consumption rate charged would go to Phase II effective April 2019. However, the City did not comply with that ordinance and under charged the City of Cannelton from April 2019 through September 2020. The rate was corrected on the October 1, 2020 bill. The City is currently in the process of trying to collect the amount that was under charged.

Criteria

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)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



Connie Berger, Clerk-Treasurer

COUNCIL MEMBERS

John Little, At-Large
Larry Kleeman, Ward 1
Julie Kohnert, Ward 2
Phillip Simpson, Ward 3
Gary Morton, Ward 4

Chris Cail, Mayor

P.O. BOX 515 • TELL CITY, IN 47586 • PHONE: 812-547-5511 • FAX: 812-547-5111

November 11, 2021

OFFICIAL RESPONSE

State Board of Accounts
302 Washington St. Room E 418
Indianapolis, IN 46204-2765

This letter is being provided to give information on the "Ordinances and Resolutions – Collection of Amounts Due" remark discussed at our recent Exit Conference.

In the Spring of 2019, Janet Damin, Office Manager of the Tell City Water, Wastewater and Trash Departments, spoke with then Mayor Jim Adams, several times, about the Phase II wholesale consumption rate charge (Ordinance No 1136) that was changing, effective April 2019. Mayor Adams informed Janet that she was not to change the rate, even though the Ordinance stated that it should change in April of 2019. Mayor Adams didn't want to implement the increase because he was trying to negotiate with the City of Cannelton a different rate. However, the Tell City Common Council was unaware of these discussions. The rates should have increased for the City of Cannelton and the Town of Troy, and the rate should have been reduced for Waupaca.

When this was discovered in the Fall of 2020, by our current Mayor Chris Cail, he immediately instructed Janet to implement the Phase II wholesale rate on the October 1, 2020, bill. Waupaca was refunded the amount of money they had overpaid. Since that time, the Town of Troy has been paying the Phase II wholesale rate. However, Mayor Terry instructed the Cannelton City Clerk to pay the normal rate, and not the Phase II wholesale rate as stated in the Perry County News, dated November 12, 2020. The City of Cannelton only started to pay the Phase II wholesale rate in September 2021. At the current time, the City of Tell City is in the process of trying to collect the full amount owed by the City of Cannelton from October 1, 2020, through September 2021. The City of Tell City now needs to decide how to proceed to collect the amount of revenue lost, due to former Mayor Adams' neglect and violation of said ordinance.

Sincerely,

Chris Cail
Mayor

Janet Damin
Utility Office Manager

Connie A. Berger
Clerk-Treasurer

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TELL CITY
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2021, with Connie A. Berger, Clerk-Treasurer; Chris Cail, Mayor; Gary Morton, President Pro Tempore of the Common Council; and Larry Kleeman, Common Council member.