

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF COLUMBUS

BARTHOLOMEW COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

11/24/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Luann Welmer	01-01-20 to 12-31-21
Mayor	James D. Lienhoop	01-01-20 to 12-31-21
President of the Board of Public Works and Safety	James D. Lienhoop	01-01-20 to 12-31-21
President of the Common Council	Tom Dell Elaine Hilber	01-01-20 to 12-31-20 01-01-21 to 12-31-21
Superintendent of Utilities	Scott Dompke (Vacant) Keith Reeves (interim) Roger Kelso	01-01-20 to 02-25-21 02-26-21 to 03-04-21 03-05-21 to 11-14-21 11-15-21 to 12-31-21
Manager of Finance and Business Operations	Arron O'Neal	01-01-20 to 12-31-21
Airport Director	Brian Payne	01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of the City of Columbus (City), for the period from January 1, 2020 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 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 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 Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

November 15, 2021

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WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS

WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the Water and Wastewater Utilities related to financial transactions and reporting.

Internal controls over the monthly reconcilements for the Water and Wastewater Utilities of the depository balance to the financial records were not effective. Monthly bank reconcilements of the Utility funds were being performed by the lead accountant, with guidance for adjustments and reconciling from a consultant, and then reviewed and approved by someone other than the person who was preparing the monthly reconciliation. However, reconciling items and variances between the depository balances and the financial records were not being investigated timely.

The following items were noted:

1. Monthly bank reconcilements were not being completed timely. The final December 31, 2020 reconciliation was not completed and presented for audit until October 1, 2021.
2. The December 31, 2020 reconciliation contained reconciling items from November 2019 and from January 2020 through November 2020 that were not being investigated and resolved timely.
3. Credit card collections from the Utility customers were initially deposited into the credit card bank account of the Utility with the collections being properly posted to the customers' accounts and ledger. Monthly transfers were made from the Utility credit card bank account as follows: 50 percent of the credit card collections to the Wastewater Operating bank account and 50 percent to the Water Operating bank account. However, the amount collected was not actually allocable to the utilities 50/50; at year end, the Utility would make a bank transfer for the difference between what was transferred and what should have been transferred to the two utility bank accounts. For 2020, the Utility failed to make the adjusting bank transfer, and as a result, the Wastewater Utility Operating bank account owed the Water Operating bank account \$1,539,039.
4. During 2020, bond proceeds from the 2020 Sewage Works Refunding Bonds and proceeds from the Waterworks Revenue Bond Anticipation Note Series 2020 were incorrectly deposited into the applicable Utility Operating bank accounts and not corrected as of December 31, 2020. As a result, the Wastewater Operating bank account and the Water Operating bank account owed the Utilities Bond Funds bank account \$1,312,796 and \$566,039, respectively.

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:

WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT
(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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



Columbus City Utilities
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Columbus IN 47201
812-372-8861
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OFFICIAL RESPONSE

Date: November 23, 2021

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Response to the 2020 State Board of Accounts Audit Findings 2020-001

Please accept this letter as Columbus City Utilities' (CCU) official response to the 2020 State Board of Accounts audit finding 2020-001.

CCU will continue working closely with Baker Tilly to finalize the bank reconciliation. We will post the appropriate adjustments to the general ledgers and transfer the needed funds in the bank accounts. The bank reconciliation has been a concern and main point of focus recently, and CCU staff believes this is evident with the agreement between the Utilities and Baker Tilly to properly correct and resolve this matter. With staff having the assistance and support from an outside firm, improved documentation and training is occurring.

Please feel free to reach out to me with any questions or comments you may have regarding the official response.

A handwritten signature in black ink, appearing to read "R. Kelso", with a long horizontal flourish extending to the right.

Roger Kelso
Executive Director
1111 McClure Road
P.O. Box 1987
Columbus, IN 47202-1987

Phone: 812-418-6409
rkelso@columbusutilities.org

CC James D. Lienhoop, Mayor
Luann Welmer, Clerk Treasurer
Clayton Force, Chairman of Utilities Board
Arron O'Neal, Finance and Business Manager

WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2021, with James D. Lienhoop, Mayor; Luann Welmer, Clerk-Treasurer; Kim Sweet, Chief Deputy Clerk-Treasurer; Natalie Berkenstock, Deputy Clerk-Treasurer; Arron O'Neal, Manager of Finance and Business Operations; Chelsa Goben, Lead Accountant; Elaine Hilber, President of the Common Council; Tom Dell, Common Council member; Keith Reeves, Superintendent of Utilities (interim); and Roger Kelso, Superintendent of Utilities.