

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF COLUMBUS

BARTHOLOMEW COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
09/15/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Luann Welmer	01-01-21 to 12-31-22
Mayor	James D. Lienhoop	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	James D. Lienhoop	01-01-21 to 12-31-22
President of the Common Council	Elaine Hilber Tom Dell	01-01-21 to 12-31-21 01-01-22 to 12-31-22
Superintendent of Utilities	Scott Dompke (Vacant) Keith Reeves (interim) Roger Kelso	01-01-21 to 02-25-21 02-26-21 to 03-04-21 03-05-21 to 11-14-21 11-15-21 to 12-31-22
Manager of Finance and Business Operations	Arron O'Neal (Vacant)	01-01-21 to 03-06-22 03-07-22 to 12-31-22
Airport Director	Brian Payne	01-01-21 to 12-31-22



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 COLUMBUS, BARTHOLOMEW 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 Columbus (City), for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 24, 2022, 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, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002, 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 2021-001 and 2021-002.

City of Columbus' 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

August 24, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Columbus' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021. The City's major federal programs are 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 each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each 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 EACH 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response to the noncompliance 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 compliance, and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as item 2021-003, to be material weaknesses.

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.

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.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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.

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

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, 2021, and the related notes to the financial statement. We issued our report thereon dated August 24, 2022, 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

August 24, 2022

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.

CITY OF COLUMBUS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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 Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
Community Development			B18MC180020	\$ -	\$ 2,642
Community Development			B19MC180020	-	68,290
Community Development			B20MC180020	-	135,843
Community Development			B21MC180020	-	23,386
				<u>-</u>	<u>230,161</u>
Total - Community Development Block Grants/Entitlement Grants					
COVID-19 - Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
Community Development Strap			B20MW180020	-	115,434
				<u>-</u>	<u>115,434</u>
Total - CDBG - Entitlement Grants Cluster					
				<u>-</u>	<u>345,595</u>
Total - Department of Housing and Urban Development					
				<u>-</u>	<u>345,595</u>
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grant	Direct Grant	20.507			
IN-2020-022-00/IN-90-X761 Columbus Transit			IN-2020-022-00/IN-90-X761	-	620,888
				<u>-</u>	<u>620,888</u>
Total - Federal Transit Formula Grants					
				<u>-</u>	<u>620,888</u>
COVID-19 - Federal Transit Formula Grant					
Columbus 2020 SEC 5307 Cares Act Operating and Capital	Indiana Department of Transportation	20.507			
Columbus 2020 SEC 5307 Cares Act Operating Funding			IN-2020-028-00/IN-90-x765	-	81,328
IN-2021-016-00/IN-90-X783 Columbus Transit SEC 5307 ARP Operating			IN-2020-031-00/IN-90-X767	-	8,657
			IN-2021-016-00/IN-90-X783	-	439,345
				<u>-</u>	<u>439,345</u>
Total - COVID-19 - Federal Transit Formula Grants					
				<u>-</u>	<u>529,330</u>
Total - Federal Transit Cluster					
				<u>-</u>	<u>1,150,218</u>
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Taylor Road from 25th Street			DES 0500875	-	116,390
CR 350 W From Goeller Rd to ST Rd 46			DES 1401742	-	191,568
Talley Road			DES 1701323	-	26,925
Lowell Road Added Travel Lane			DES 1701325	-	10,680
Talley Road Phase II			DES 1702107	-	124,311
Talley Road Bridge 103			DES 1800008	-	7,164
Metropolitan Planning Organization			A249-19-G19001/DES 1801291	-	120,201
Metropolitan Planning Organization			A249-21-G200193/DES 2001059	-	42,468
				<u>-</u>	<u>42,468</u>
Total - Highway Planning and Construction Cluster					
				<u>-</u>	<u>639,707</u>

CITY OF COLUMBUS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

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
Airport Improvement Program	Direct Grant				
AVIATION/FAA GRANT AIP 31		20.106	3-18-0012-031-2019	-	28,813
AVIATION/FAA GRANT AIP 33			3-18-0012-033-2020	-	2,218,228
AVIATION/FAA GRANT AIP 34			3-18-0012-034-2021	-	56,000
Subtotal - Airport Improvement Program				-	<u>2,303,041</u>
COVID-19 - Airport Improvement Program	Direct Grant				
AVIATION/FAA GRANT AIP 32		20.106	3-18-0012-035-2021	-	<u>57,162</u>
Total - Airport Improvement Program				-	<u>2,360,203</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Metropolitan Planning Organization	Indiana Department of Transportation	20.505	A249-21-G200193/DES 2001059	-	<u>36,061</u>
Total - Department of Transportation				-	<u>4,186,189</u>
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund City-COVID	Indiana Finance Authority	21.019	N/A	-	<u>154,248</u>
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Coronavirus State and Local Fiscal Recovery Funds	Direct Grant	21.027	N/A	-	<u>635,533</u>
Total - Department of the Treasury				-	<u>789,781</u>
<u>Department of Health and Human Services</u>					
Maternal and Child Health Services Block Grant to the States Tactical Urbanism Demonstration Project	Indiana Department of Transportation	93.994	B04MC30611	-	<u>2,970</u>
Total - Department of Health and Human Services				-	<u>2,970</u>
<u>Department of Homeland Security</u>					
Assistance to Firefighters Grants Assistance to Firefighters Grants	Direct Grant	97.044	EMW-2019-FG-03892	-	<u>57,500</u>
Total - Department of Homeland Security				-	<u>57,500</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 5,382,035</u>

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

CITY OF COLUMBUS
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, 2021. 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 COLUMBUS
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?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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
20.106	Federal Transit Cluster Airport Improvement Program	Unmodified 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 2021-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-001.

Condition and Context

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

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

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

The following items were noted:

1. Credit card collections from 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 applicable 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. The Utilities made a transfer to correct this for 2020 and January through November 2021 on December 28, 2021. However, no documentation was provided by the Utilities to support the amount that was transferred to verify the amount was properly distributed to each Utility.
2. 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. This error was not corrected as of December 31, 2021. 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.
3. The Utilities prepared payroll vouchers which included hours worked for each utility employee along with calculations for salaries, wages, and benefits. Payroll disbursements were posted to the utility ledgers based on the prepared payroll vouchers. The payroll vouchers were then submitted to the Clerk-Treasurer's office for payroll to be processed. Based on the payroll processed in the Clerk-Treasurer's office, transfers were made to the payroll bank account from the utility bank accounts. If the Clerk-Treasurer's office made adjustments to the payroll vouchers submitted by the Utility office, the changes were not communicated to the Utilities. Therefore, the amounts posted to the utility ledgers did not agree with the actual disbursements made for payroll. As a result, there were reconciling items on the monthly bank reconciliations of the Utilities that were not investigated or resolved timely.

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.

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

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. . . ."

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)

Cause

Management had not established a proper system of internal control over financial transactions and reporting.

Effect

The failure to establish a system of internal control enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls will prevent, or detect and correct, material misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2021-002

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

Condition and Context

The City had not established effective internal controls over the federal award information entered into 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).

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

The City failed to properly review the federal grant information prepared and submitted in Gateway. Although the City had internal controls in place, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit omitted the Airport Improvement Program, which understated expenditures by \$2,360,203.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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. . . ."

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 COLUMBUS
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 section § 200.510 Financial statements. . . ."

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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

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

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

FINDING 2021-003

Subject: Federal Transit Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Transportation

Federal Program: Federal Transit Formula Grants

Assistance Listings Number: 20.507

Federal Award Numbers and Years (or Other Identifying Numbers): IN-2020-022-00/IN-90-X761,
IN-2020-028-00/IN-90-X765,
IN-2020-031-00/IN-90-X767,
IN-2021-016-00/IN-90-X783

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matter

Condition and Context

The City had not designed and implemented an effective internal control system in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

Federal regulations allow for informal procurement methods when the value of the procurement for property or services does not exceed the simplified acquisition threshold, which is customarily set at \$250,000. This informal process allows for methods other than the formal bid process. The informal process is divided between two methods based on thresholds. Micro-purchases and small purchase procedures for those purchases above the micro-purchase threshold, but below the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive price rate quotations. If small purchase procedures are used, then price or rate quotations must be obtained from an adequate number of qualified sources.

The City did not obtain price or rate quotes for four vendors tested that were less than the simplified acquisition threshold of \$250,000, but exceeded the \$10,000 micro-purchase threshold. Documentation detailing the history of the procurements, which must include the reason for the procurement method used, was not available for audit. There are other allowable purchasing methods under Indiana Code that would not require bidding, such as special purchasing methods found under Indiana Code 5-22-10, which would have been consistent with the noncompetitive procurement allowed under 2 CFR 200.320(c). The City indicated that the circumstances required a single source purchase method. However, the City did not provide documentation that would support the use of alternative methods.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327. . . ."

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

(a) *Informal procurement methods.* When the value of the procurement for property or services under a Federal award does not exceed the *simplified acquisition threshold (SAT)*, as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include: . . .

(2) *Small purchases -*

(i) *Small purchase procedures.* The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity. . . ."

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

Cause

Management had not established a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to design and implement an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish a system of internal control to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section II – Financial Statement Findings

FINDING 2020-001

Fiscal year in Which Audit Finding Occurred: 2020

Contact Person Responsible for Corrective Action: Roger Kelso, Executive Director

Contact Phone Number: 812-372-8861

Status of Audit Finding: Audit Finding 2020-001 has not been fixed to-date primarily due to unexpected vacancies in the Manager of Finance and Business Operations and Utility Accountant positions early in 2022. In the interim, we have hired Baker Tilly to fill in for these roles and have hired a part-time Internal Auditor. We have recently hired a Utility Accountant and will post the Manager of Finance and Business Operations position this fall.

The Utility Accountant will work on improving the bank reconciliation process to ensure the proper accounting split between the water and wastewater utility and that it can be traced for audit purposes. The Utility Accountant will also make the proper transfer to make the Utilities Bond Funds bank account whole resulting from the 2020 Sewage Works Refunding Bonds. We will have the new Manager of Finance and Business Operations and our Internal Auditor verify that both items have been completed.

We expect that the above action will take place on or before December 31, 2022, as we want both items corrected prior to our conversion to Tyler's Munis ERP system.

COLUMBUS CITY UTILITIES
Roger Kelso
Executive Director



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Columbus IN 47201
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www.columbusutilities.org

CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Roger Kelso, Executive Director
Contact Phone Number: (812)372-8861

Views of Responsible Official:

The Columbus City Utilities (CCU) appreciates the audit work of the Indiana State Board of Accounts and believes that the steps that we will take to correct these findings will improve our internal control system. Early in 2022, we experienced unexpected vacancies in the Manager of Finance and Business Operations and Utility Accountant positions. In the interim, we hired Baker Tilly to fill those functions and hired a part-time Internal Auditor. We recently filled the Utility Accountant position and will post the Manager of Finance and Business Operations this fall. We take these findings seriously and our Utility Accountant, Manager of Finance and Business Operations, and Internal Auditor will all take a part in getting them corrected.

Description of Corrective Action Plan:

The newly hired Utility Accountant will ensure that the credit card transactions are properly split between the water and wastewater accounts and will make the corrections to the bank accounts resulting from the proceeds of the 2020 Sewage Works Refunding Bonds. The future Manager of Business Operations and Internal Auditor will verify that both items are completed by the end of 2022.

We recently met with the Clerk-Treasurer's Office and are working out a process that will ensure that the amount taken out of our bank accounts for payroll matches both city and CCU accounting records. As the year progresses, the Utility Accountant, Manager of Finance and Business Operations, and Internal Auditor will verify that the new procedure fixes the issue.

Anticipated Completion Date:

We anticipate that all items noted in Finding 2021-001 will be corrected by December 31, 2022.



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2021-002

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Gateway program can be very cumbersome and unpredictable, which was the case when the Airport Improvement Program was entered. The program information showed on Gateway screen once added; however, the system did not retain this information. In fact, a Gateway representative indicated they did have other units that had trouble saving grant entries. The City did not catch this error when approving Form 13. In the future, Gateway screens will be printed for accurate documentation and Form 13 will be reviewed for correctness.

Anticipated Completion Date: The Gateway entry was completed immediately.



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Luann G. Welmer, Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2021-003

Contact Person Responsible for Corrective Action: Luann Welmer
Contact Phone Number: 812-376-2510

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The ColumBus Transit has implemented a Standard Operating Procedure SOP #TO-151 and Procurement Procedures Checklist. The SOP #TO-151 will insure vehicle parts purchased are evaluated for “best value” to the agency. The Procurement Procedures Checklist will be used for all procurements, including micro-purchases. The procurement checklist and supporting documentation will be maintained electronically with the vendor invoice.

Anticipated Completion Date: Immediately

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/>.