

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, 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



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, 2021 to December 31, 2021. 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 24, 2022

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CLERK-TREASURER
CITY OF COLUMBUS

CLERK-TREASURER
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City's Indiana Gateway for Government Units financial reporting system certification on the adoption of, and training on, internal control standards was made incorrectly. The City certified that personnel had received the training that was developed or approved by the Indiana State Board of Accounts. However, training certifications were not provided for audit for two employees hired during 2021.

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2022, with James D. Lienhoop, Mayor; Luann Welmer, Clerk-Treasurer; Kim Sweet, Chief Deputy Clerk-Treasurer; Charles W. Pride Jr., CPA, Internal Auditor; Roger Kelso, Superintendent of Utilities; Tom Dell, President of the Common Council; Stephanie Crawford, Lead Accountant of Utilities; Jamie Brinegar, Director of Finance, Operations, and Risk; and Alan Whitted, City of Columbus Attorney.

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COMMON COUNCIL
CITY OF COLUMBUS

COMMON COUNCIL
CITY OF COLUMBUS
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Two employees hired during 2021 had not received the training over internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF COLUMBUS
EXIT CONFERENCE

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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

The same comment appeared in prior Report B57914.

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. 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 and 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 the hours worked for each utility employee along with calculations for salaries, wages, and benefits. The 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 each 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.

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

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)

WATER AND WASTEWATER UTILITIES
CITY OF COLUMBUS
EXIT CONFERENCE

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