

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF DELPHI

CARROLL COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
09/27/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leanne Aldrich	01-01-21 to 12-31-22
Mayor	Anita Werling	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	Anita Werling	01-01-21 to 12-31-22
President Pro Tempore of the Common Council	Spencer Kingery	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 DELPHI, CARROLL COUNTY, INDIANA

This report is supplemental to our audit report of the City of Delphi (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/](http://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

September 20, 2022

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CLERK-TREASURER  
CITY OF DELPHI

CLERK-TREASURER  
CITY OF DELPHI  
AUDIT RESULTS AND COMMENTS

**CAPITAL ASSETS**

The same comment was included in the prior Report B58102.

*Condition and Context*

The City did not complete a physical inventory at least every two years. The City kept a detailed listing of capital assets; however, the detailed listing of capital assets did not include items that were acquired during the audit period and included items that should have been disposed of during the audit period. During testing, it was determined that there were at least two capital assets disposed of during the period that remained on the listing, and eight capital assets acquired during the period that were not properly added to the listing.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statement presented included the following funds with an overdrawn cash balance at December 31, 2021:

Fund	Amount Overdrawn
NLTrails Grant (Monon High Bridge)	\$ 189,035
FAA Grant (2017)	58,791

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**INTERNAL CONTROLS**

*Condition and Context*

There were deficiencies in the internal control system of the City related to receipts and financial transactions and reporting. The City had not established a system of internal control or separated incompatible processes related to receipts and financial close and reporting.

*Receipts*

The City had not properly designed or implemented internal controls to ensure that receipts were properly recorded. One employee was responsible for posting receipts to the ledger without an oversight or review process in place.

*Financial Transactions and Reporting*

The City had not properly implemented internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. There was no supporting documentation to show there was a proper review or approval process in place over the input of financial information to prevent, or detect and correct, errors.

*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 DELPHI  
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2022, with Leanne Aldrich, Clerk-Treasurer; Anita Werling, Mayor; Spencer Kingery, President Pro Tempore of the Common Council; and Sandy Flora, Common Council member.