

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF SCOTTSBURG

SCOTT COUNTY, INDIANA

January 1, 2013 to December 31, 2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janetta C. Hardy	01-01-12 to 12-31-15
Mayor	William H. Graham	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	William H. Graham	01-01-13 to 12-31-15
President Pro Tempore of the Common Council	Terry Amick	01-01-13 to 12-31-15
Utility Office Manager	Tonja Caudill	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SCOTTSBURG, SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of the City of Scottsburg (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

March 2, 2015

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CLERK-TREASURER
CITY OF SCOTTSBURG

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Two federal grants were not included on the SEFA totaling \$34,079.
2. The SEFA included \$15,623 that was not federal monies.
3. Some federal awards reported included incorrect grantor agency, federal program name, CFDA number, and/or pass-through entity. The amount of federal awards provided to subrecipients was reported incorrectly.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING***

Deficiencies were noted in the internal control system of the City related to financial transactions and reporting in preparation of the financial statement. Controls were not in place to ensure all financial activity of the City was reported in the financial statement in order to ensure complete and accurate reporting. Financial activity related to the City's Mid-America Science Park (MASP) was not available for audit and was not included in the financial statement. In addition, the City does not have controls in place to provide proper accountability related to the receipt activity at the MASP.

The City has an agreement with the Scott County Economic Development Corporation (SCEDC), a not-for-profit entity, to manage the City's MASP. Monies are paid to the SCEDC for operation of the MASP based upon a budget submitted by the SCEDC. Sources of revenue used to finance the budget are from monies paid to the SCEDC from the property taxes generated from the City's tax increment financing district, the Certified Technology Park fund, and rental monies at the MASP collected by the SCEDC on the City's behalf.

The following control deficiencies were identified with the agreement with the SCEDC and have been determined to be material weaknesses:

1. The agreement between the City and the SCEDC allows for the SCEDC to retain the rental proceeds rather than remit the rental proceeds to the City Clerk-Treasurer. The agreement does not require the SCEDC to report the collection activity to the City. As a result, financial activity related to rental proceeds are not reflected on the City's financial records and are not reported on the City's annual financial statement. Monies related to the City should be handled by the City's fiscal officer in accordance with Indiana Code 36-4-10-4.5(b).

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

2. Information is not contained in the contract requiring the SCEDC to make any type of financial reporting to the City regarding rental monies collected, tenant's delinquent on rent, rental occupancy rate, etc., in order for the City to assess the financial accountability, stability of the operations, and the adequacy of management of the facility.
3. The agreement does not outline the policies to be followed by the SCEDC for the collection of rent or the handling of delinquent amounts owed by the tenants. The agreement does not provide information regarding who is responsible for determining the amount of rent to be charged, the approval of the related fee structure, and execution of the rental contract agreements.
4. The agreement does not require the SCEDC to maintain insurance coverage or any mechanism for the City to recoup any losses of monies in the event of theft/fraud in handling the collections and operation of the MASP on its behalf.
5. The City's agreement with the SCEDC does not require the City to be allowed access to the financial records of the SCEDC or an audit of the MASP activity in order to determine proper accountability and reporting of MASP monies.

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-10-4.5(b) states in part:

"The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money."

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The City does not have controls in place to provide proper accountability related to financial activity for payroll. Payroll disbursements were not approved by the appropriate Board in a timely manner. The City payroll was approved once a month and the payroll for the various Utilities was approved once a quarter. When controls have not been properly designed and implemented to ensure that payroll transactions get reviewed and approved in a timely manner, there is a risk that errors could exist and go undetected and remain unresolved prior to an individual leaving employment. The timely approval of disbursements is also important so that the Board has accurate financial information to make management decisions.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-8-14(d) states: "The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

FINDING 2013-004 - INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-1902674 and 06-3902499

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements over Reporting. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, or detected and corrected, on a timely basis.

The ED-209, Semi-Annual Reports, filed for the periods ending March 31, 2013, and September 30, 2013, contained multiple errors. There were reporting errors in 3 of the 12 sections for both reporting periods.

The City did not have procedures in place to ensure financial information used in the preparation of the financial reports was verified for accuracy. Information used for financial reporting was based upon information provided by the grant administrator and the City Clerk-Treasurer's Office. However, procedures were not in place to verify the financial activity among the two sources was in agreement with one another and that the final amounts reported were accurate. Once the reports were prepared, there was no control in place to verify for or ensure accuracy.

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

13 CFR 307.14 states:

"Revolving Loan Fund semi-annual report and Income and Expense Statement.

(a) *Frequency of reports.* All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit a semi-annual report in electronic format, unless EDA approves a paper submission.

(b) *Report contents.* RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe (and propose pursuant to §307.9) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

(c) *RLF Income and Expense Statement.* An RLF Recipient using either fifty (50) percent or more (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) Reporting Period must submit to EDA a completed Income and Expense Statement (Form ED-2091 or any successor form) for That Reporting Period in electronic format, unless EDA approves a paper submission. EDA may waive this requirement for an RLF Grant with a small RLF Capital Base, as determined by EDA."

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, related to the grant agreement and the compliance requirements for Reporting so that accurate financial reports will be prepared and filed in the future.

FINDING 2013-005 - INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-190267 and 06-3902499

Pass-Through Entity: Direct Grant

Management of the City has not established an effective internal control system related to the grant agreement and the compliance requirement for Special Tests and Provisions. The grant has a requirement that the portion of the Revolving Loan Fund (RLF) capital base that is not loaned out must be made available for lending. Generally, the Economic Development Administration requires recipients to have at least 75 percent of the RLF's capital base loaned or committed at any given time. The City had no controls in place to test the loan balance amount that was loaned out at any one time. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements.

CLERK-TREASURER
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

An internal control system, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, related to the grant agreement and all compliance requirements for Special Tests and Provisions that have a direct and material effect to the program.

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: jHardy@c3bb.com

March 4, 2015

FINDING 2013-1 INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan initiated with February 2015 prior to submittal of 2014 Annual Report and will remain in effect indefinitely

The City will ensure financial information used in the preparation of the SEFA report is verified for accuracy. Upon receipt of grant funds the grant applicant will be required to provide the Clerk-Treasurer's office with the following information:

Project Name:

Federal Program Title:

Federal Agency:

Pass Through Agency:

CFDA Number:

Award Name:

Award Number:

Grant Type: Advance / Reimbursement:

Agency Contact:

Prior to submittal of the Annual Report applicants will be provided with financial data for grant receipts and disbursements to verify accuracy.

FINDING 2013-4 INTERNAL CONTROLS AND NONCOMPLIANCE OVER REPORTING

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan initiated with March 2014 semi-annual report and will remain in effect indefinitely

The City will ensure financial information used in the preparation of the semi-annual financial report is verified for accuracy. The Deputy Clerk-Treasurer will provide copies of all receipts and disbursement records to River Hills on a monthly basis. The Clerk-Treasurer will complete monthly cash reconciliation of the Revolving Loan Fund. In addition, the Deputy Clerk-Treasurer will provide a semi-annual summary of all Revolving Loan Fund activity for the semi-annual financial report.

River Hills, the grant administrator, will prepare the semi-annual financial report to be submitted to the U.S. Department of Commerce. A minimum of one week prior to the report due date, River Hills will submit the completed financial report to the Clerk-Treasurer for review and verification of revenues and disbursements. Upon the Clerk-Treasurer's approval, River Hills will submit the completed report to the U.S. Department of Commerce.

FINDING 2013-5 INTERNAL CONTROLS OVER SPECIAL TESTS AND PROVISIONS

Contact: Janetta C. Hardy

Title: Clerk-Treasurer

Phone: 812-752-4343 Ext 222

Expected Completion Date: Action plan to be initiated with March 2015 semi-annual report and will remain in effect indefinitely

River Hills, the grant administrator, will prepare the semi-annual financial report to be submitted to the U.S. Department of Commerce. Upon the Clerk-Treasurer's approval, River Hills will submit the completed report to the U.S. Department of Commerce. In addition River Hills will submit the completed report to the Common Council and the Board of Public Works and clearly identify any compliance requirements that could result in the loss of federal funds to the City or result in sequestration of current City funds.

Janetta C. Hardy *Clerk Treasurer*

HOUSTON, THOMPSON and LEWIS, PC

Attorneys at Law
49 East Wardell Street
Scottsburg, Indiana 47170

Robert L. Houston
Kerry L. Thompson
Jennifer D. Lewis

Telephone (812) 752-5920
Fax (812) 752-6989

February 26, 2015

Re: City of Scottsburg

***FINDING 2013-2 INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL
TRANSACTIONS AND REPORTING***

Contact: Kerry Thompson

Title: City Attorney

Phone: 812-752-5920

Expected Completion Date: December, 2014 (already completed)

It is my understanding that a response has been requested from me, as attorney for the City of Scottsburg, related to finding 2013-2, regarding the management agreement for Mid-America Science Park with the Scott County Economic Development Corporation. A similar audit finding was addressed by the action plan submitted to Melissa Hayes, Indiana State Board of Accounts, in a letter dated July 22, 2014. The contract next executed with the Scott County Economic Development Corporation for management of Mid-America Science Park after the finding in the 2012 audit addressed the issue. The Contract, a copy of which is enclosed, was dated December 23, 2014, and included the terms of the action plan earlier stated. That Contract was amended on January 13, 2015, in order to include the management fee amount for 2015, which was inadvertently omitted from the December 23, 2014, Contract. A copy of the Amended Contract is also enclosed. The terms of the Amended Contract should adequately address the issues expressed in Finding 2013-2, so the corrective action plan earlier stated in my letter of July 22, 2014, has already been put into place.

Sincerely,

HOUSTON, THOMPSON and LEWIS, PC



Kerry Thompson
Attorney for the City of Scottsburg
KT/dml

Enclosures

cc: Janetta C. Hardy, Clerk-Treasurer
William H. Graham, Mayor

CONTRACT FOR MANAGEMENT
OF
MID/AMERICA SCIENCE PARK

This Contract is made on the 23rd day of December, 2014, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid/America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.

2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015, and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.

3. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014.

4. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved.

2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk/Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.

7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.

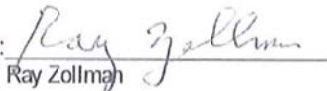
IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 23rd day of December, 2014.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
Ray Zollman

By: 
William Hoagland

**AMENDED CONTRACT FOR MANAGEMENT
OF
MID-AMERICA SCIENCE PARK**

This Amended Contract is made on the 13th day of January, 2015, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid-America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.
2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015 and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.
3. The management contract for MASP was previously approved by the Board of Works and was signed on December 23, 2014. This amendment is made in order to include the amount of budgeted funds approved for expenditure from Tax Increment Financing ("TIF") funds and Certified Tech Park funds and set the management fee.
4. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014. This budget approved the expenditure of \$400,000 of TIF funds and the expenditure of \$150,000 of Certified Tech Park funds as a part of the operating budget of MASP.
5. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of TIF funds and Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved. The management fee for 2015 to be paid by the City is \$95,000 and the management fee and other applicable expenses shall be paid

from the revenue sources at MASP, including the sum of \$400,000 of TIF funds and \$150,000 of Certified Tech Park funds.

2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk-Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.

7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.


IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 13th day of January, 2015.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
Ray Zollman

By: 
William Hoagland

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: JHardy@c3bb.com

March 19, 2015

FINDING 2013-3 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: *Janetta C. Hardy*

Title: *Clerk-Treasurer*

Phone: *812-752-4343 Ext 222*

Expected Completion Date: *Action plan initiated February 2015 and will remain in effect indefinitely*

The City will submit all payroll and payroll claims to the appropriate board for approval with the docket at the next scheduled meeting following the claim payment.

<i>Janetta C. Hardy</i>	<i>Clerk Treasurer</i>
<i>William H. Miller</i>	<i>MAYOR</i>
<i>Donald Collins Jr</i>	<i>President of Water Board</i>

CLERK-TREASURER
CITY OF SCOTTSBURG
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2015, with William H. Graham, Mayor; Janetta C. Hardy, Clerk-Treasurer; Terry Amick, President Pro Tempore of the Common Council; Tonja Caudill, Utility Office Manager; and Kerry Thompson, City Attorney.

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MAYOR'S OFFICE
CITY OF SCOTTSBURG

MAYOR'S OFFICE
CITY OF SCOTTSBURG
AUDIT RESULT AND COMMENT

CREDIT CARD USAGE

A review of the City's credit card activity identified the following deficiencies:

1. Three instances were noted where personal expenses were charged to the City's credit card. The responsible parties provided personal checks and/or money orders payable to the credit card company which accompanied the City's payment to the credit card vendor.
2. Four instances were noted where meals at local restaurants were charged on the City's credit card, but the receipts did not contain information documenting the person responsible for the meal and the business nature of the meal.
3. Sufficient internal controls were not in place to ensure paid receipts and/or invoices from credit card purchases were timely remitted to the fiscal officer for payment of the credit card bills. Charges on the credit card bill lacking supporting documentation at the time the bill was due could not be paid. As a result, \$664 in late fees and finance charges were incurred and billed to the City's account in 2013. Late fees and finance charges were paid by the responsible party through personal checks made payable directly to the credit card vendor.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MAYOR'S OFFICE
CITY OF SCOTTSBURG
AUDIT RESULT AND COMMENT
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

City of Scottsburg Ordinance No. 2003-26, an ordinance establishing policies and procedures for the use of city credit cards, states in part:

- "(3) Employees or designees will be responsible for providing itemized invoices or receipts to the Clerk-Treasurer for each credit card charge. Any charge made by an employee without properly itemized invoices or receipts will not be paid by the City and will be the responsibility of the employee or designee . . .
- (5) Penalties and/or interest will not be paid by the city. Failure by an employee or designee to remit itemized invoices or receipts in a timely manner which result in penalties or interest to be incurred will be the responsibility of the employee or designee."

MAYOR'S OFFICE
CITY OF SCOTTSBURG
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2015, with William H. Graham, Mayor.

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF SCOTTSBURG

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF SCOTTSBURG
FEDERAL FINDINGS

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING***

Deficiencies were noted in the internal control system of the City related to financial transactions and reporting in preparation of the financial statement. Controls were not in place to ensure all financial activity of the City was reported in the financial statement in order to ensure complete and accurate reporting. Financial activity related to the City's Mid-America Science Park (MASP) was not available for audit and was not included in the financial statement. In addition, the City does not have controls in place to provide proper accountability related to the receipt activity at the MASP.

The City has an agreement with the Scott County Economic Development Corporation (SCEDC), a not-for-profit entity, to manage the City's MASP. Monies are paid to the SCEDC for operation of the MASP based upon a budget submitted by the SCEDC. Sources of revenue used to finance the budget are from monies paid to the SCEDC from the property taxes generated from the City's tax increment financing district, the Certified Technology Park fund, and rental monies at the MASP collected by the SCEDC on the City's behalf.

The following control deficiencies were identified with the agreement with the SCEDC and have been determined to be material weaknesses:

1. The agreement between the City and the SCEDC allows for the SCEDC to retain the rental proceeds rather than remit the rental proceeds to the City Clerk-Treasurer. The agreement does not require the SCEDC to report the collection activity to the City. As a result, financial activity related to rental proceeds are not reflected on the City's financial records and are not reported on the City's annual financial statement. Monies related to the City should be handled by the City's fiscal officer in accordance with Indiana Code 36-4-10-4.5(b).
2. Information is not contained in the contract requiring the SCEDC to make any type of financial reporting to the City regarding rental monies collected, tenant's delinquent on rent, rental occupancy rate, etc., in order for the City to assess the financial accountability, stability of the operations, and the adequacy of management of the facility.
3. The agreement does not outline the policies to be followed by the SCEDC for the collection of rent or the handling of delinquent amounts owed by the tenants. The agreement does not provide information regarding who is responsible for determining the amount of rent to be charged, the approval of the related fee structure, and execution of the rental contract agreements.
4. The agreement does not require the SCEDC to maintain insurance coverage or any mechanism for the City to recoup any losses of monies in the event of theft/fraud in handling the collections and operation of the MASP on its behalf.
5. The City's agreement with the SCEDC does not require the City to be allowed access to the financial records of the SCEDC or an audit of the MASP activity in order to determine proper accountability and reporting of MASP monies.

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-10-4.5(b) states in part:

"The fiscal officer is the head of the city department of finance. The fiscal officer shall do the following:

- (1) Receive and care for all city money and pay the money out only on order of the approving body.
- (2) Keep accounts showing when and from what sources the fiscal officer has received city money and when and to whom the fiscal officer has paid out city money."

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The City does not have controls in place to provide proper accountability related to financial activity for payroll. Payroll disbursements were not approved by the appropriate Board in a timely manner. The City payroll was approved once a month and the payroll for the various Utilities was approved once a quarter. When controls have not been properly designed and implemented to ensure that payroll transactions get reviewed and approved in a timely manner, there is a risk that errors could exist and go undetected and remain unresolved prior to an individual leaving employment. The timely approval of disbursements is also important so that the Board has accurate financial information to make management decisions.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF SCOTTSBURG
FEDERAL FINDINGS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-8-14(d) states: "The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

HOUSTON, THOMPSON and LEWIS, PC
Attorneys at Law
49 East Wardell Street
Scottsburg, Indiana 47170

Robert L. Houston
Kerry L. Thompson
Jennifer D. Lewis

Telephone (812) 752-5920
Fax (812) 752-6989

February 26, 2015

Re: City of Scottsburg

***FINDING 2013-2 INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL
TRANSACTIONS AND REPORTING***

Contact: Kerry Thompson

Title: City Attorney

Phone: 812-752-5920

Expected Completion Date: December, 2014 (already completed)

It is my understanding that a response has been requested from me, as attorney for the City of Scottsburg, related to finding 2013-2, regarding the management agreement for Mid-America Science Park with the Scott County Economic Development Corporation. A similar audit finding was addressed by the action plan submitted to Melissa Hayes, Indiana State Board of Accounts, in a letter dated July 22, 2014. The contract next executed with the Scott County Economic Development Corporation for management of Mid-America Science Park after the finding in the 2012 audit addressed the issue. The Contract, a copy of which is enclosed, was dated December 23, 2014, and included the terms of the action plan earlier stated. That Contract was amended on January 13, 2015, in order to include the management fee amount for 2015, which was inadvertently omitted from the December 23, 2014, Contract. A copy of the Amended Contract is also enclosed. The terms of the Amended Contract should adequately address the issues expressed in Finding 2013-2, so the corrective action plan earlier stated in my letter of July 22, 2014, has already been put into place.

Sincerely,

HOUSTON, THOMPSON and LEWIS, PC



Kerry Thompson
Attorney for the City of Scottsburg
KT/dml

Enclosures

cc: Janetta C. Hardy, Clerk-Treasurer
William H. Graham, Mayor

CONTRACT FOR MANAGEMENT
OF
MID/AMERICA SCIENCE PARK

This Contract is made on the 23rd day of December, 2014, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid/America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.

2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015, and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.

3. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014.

4. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved.

2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk/Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.

7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.

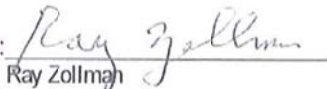
IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 23rd day of December, 2014.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
Ray Zollman

By: 
William Hoagland

**AMENDED CONTRACT FOR MANAGEMENT
OF
MID-AMERICA SCIENCE PARK**

This Amended Contract is made on the 13th day of January, 2015, by and between the City of Scottsburg ("City") and the Scott County Economic Development Corporation ("SCEDC").

RECITALS:

1. The City of Scottsburg Mid-America Science Park ("MASP") is located in the Certified Technology Park of the City of Scottsburg.
2. MASP was managed by the SCEDC in 2014 and previous years. The City and SCEDC desire to agree upon management of MASP in 2015 and to confirm the revenue sources for management of MASP within the budget, including receipt of rents from tenants or users of MASP by SCEDC, and to provide for periodic reporting of rent receipts to the City by SCEDC.
3. The management contract for MASP was previously approved by the Board of Works and was signed on December 23, 2014. This amendment is made in order to include the amount of budgeted funds approved for expenditure from Tax Increment Financing ("TIF") funds and Certified Tech Park funds and set the management fee.
4. The 2015 budget for management of MASP by the SCEDC was approved by the Scottsburg Redevelopment Commission on December 4, 2014. This budget approved the expenditure of \$400,000 of TIF funds and the expenditure of \$150,000 of Certified Tech Park funds as a part of the operating budget of MASP.
5. The 2015 budget for MASP was approved by the Scottsburg Redevelopment Commission because the budget includes expenditure of Tax Increment Financing ("TIF") Funds and expenditure of Certified Tech Park funds, as a part of the operating budget of MASP. The Scottsburg Redevelopment Commission has the authority for approval of the expenditure of those funds.

In consideration of the mutual covenants contained herein, the City and SCEDC agree as follows:

1. SCEDC shall manage the business of MASP and the Certified Technology Park, including marketing of MASP to prospective tenants, arranging leases for the tenants, and planning, arranging, and operating the programs and projects sponsored or supported by MASP and the Certified Technology Park. The collection and expenditure of revenues set forth in the 2015 budget, including revenues anticipated to be raised through receipt of TIF funds and Certified Technology Park funds and by operation of MASP, including, but not limited to, rents paid by tenants and users of MASP facilities are approved. The management fee for 2015 to be paid by the City is \$95,000 and the management fee and other applicable expenses shall be paid

from the revenue sources at MASP, including the sum of \$400,000 of TIF funds and \$150,000 of Certified Tech Park funds.

2. SCEDC shall collect rent at MASP and remit the collected rent to the City of Scottsburg Clerk-Treasurer's office no later than forty-five days after the end of each calendar quarter. Also, within forty-five days of the end of each calendar quarter the SCEDC will submit to the Scottsburg Board of Public Works and Safety a quarterly report containing a list of tenants, the rent paid, and any delinquency that may have occurred. With the quarterly report, the SCEDC will submit to the Board of Works a claim to have the collected rents paid to SCEDC for use and management of MASP. That claim shall be immediately approved and paid by the City.

3. Tenants who are delinquent in rent payments will be noted in the quarterly report, and SCEDC will include in that report the efforts made by SCEDC to collect the delinquency and the likelihood of collection. Any tenants who are sixty (60) days or more in arrears in their rent obligation shall be referred to the City of Scottsburg Board of Public Works and Safety for consideration of collection action.

4. Rental rates for tenants at MASP will be recommended by SCEDC to the Scottsburg Board of Public Works and Safety and the Board of Public Works and Safety shall approve the rental rate structure at MASP on an annual basis no later than January 30th of each year. Proposed leases shall be prepared by SCEDC and submitted to the Board of Public Works and Safety for final execution and approval, or the Board of Public Works and Safety may delegate the responsibility for execution of the leases to the SCEDC.

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6. The SCEDC shall continue its practice of having an annual audit of its finances by an independent CPA firm. When the results of the annual audit are made available to SCEDC, those results shall be forwarded to the City within thirty (30) days of receipt by SCEDC. In addition to the annual audit report, the City shall have access at any reasonable time to the records of SCEDC as they pertain to MASP.

7. This Contract shall remain in effect until terminated by the City or SCEDC. Termination may occur at the request of either of party upon thirty (30) days notice to the other party.


IN WITNESS WHEREOF, the City of Scottsburg, by and through its Board of Public Works and Safety, and the Scott County Economic Development Corporation have caused this agreement to be executed this 13th day of January, 2015.

SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: 
Robert Peacock, Executive Director

SCOTTSBURG BOARD OF PUBLIC
WORKS AND SAFETY

By: 
William H. Graham

By: 
Ray Zollman

By: 
William Hoagland

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: JHardy@c3bb.com

March 19, 2015

FINDING 2013-3 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: *Janetta C. Hardy*

Title: *Clerk-Treasurer*

Phone: *812-752-4343 Ext 222*

Expected Completion Date: *Action plan initiated February 2015 and will remain in effect indefinitely*

The City will submit all payroll and payroll claims to the appropriate board for approval with the docket at the next scheduled meeting following the claim payment.

<i>Janetta C. Hardy</i>	<i>Clerk Treasurer</i>
<i>William H. Miller</i>	<i>MAYOR</i>
<i>Donald Collins Jr</i>	<i>President of Water Board</i>

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF SCOTTSBURG
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2015, with William H. Graham, Mayor; Janetta C. Hardy, Clerk-Treasurer; Terry Amick, President Pro Tempore of the Common Council; Tonja Caudill, Utility Office Manager; and Kerry Thompson, City Attorney.

WATER UTILITY
CITY OF SCOTTSBURG

WATER UTILITY
CITY OF SCOTTSBURG
FEDERAL FINDING

FINDING 2013-003 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

The City does not have controls in place to provide proper accountability related to financial activity for payroll. Payroll disbursements were not approved by the appropriate Board in a timely manner. The City payroll was approved once a month and the payroll for the various Utilities was approved once a quarter. When controls have not been properly designed and implemented to ensure that payroll transactions get reviewed and approved in a timely manner, there is a risk that errors could exist and go undetected and remain unresolved prior to an individual leaving employment. The timely approval of disbursements is also important so that the Board has accurate financial information to make management decisions.

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Indiana Code 36-4-8-14(d) states: "The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

2 East McClain Ave.
Scottsburg, Indiana 47170

City of Scottsburg

Indiana

JAN HARDY
City Clerk/Treasurer

812-752-4343
Fax 812-752-6585
E-Mail: JHardy@c3bb.com

March 19, 2015

FINDING 2013-3 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: *Janetta C. Hardy*

Title: *Clerk-Treasurer*

Phone: *812-752-4343 Ext 222*

Expected Completion Date: *Action plan initiated February 2015 and will remain in effect indefinitely*

The City will submit all payroll and payroll claims to the appropriate board for approval with the docket at the next scheduled meeting following the claim payment.

<i>Janetta C. Hardy</i>	<i>Clerk Treasurer</i>
<i>William H. Miller</i>	<i>MAYOR</i>
<i>Donald Collins Jr</i>	<i>President of Water Board</i>

WATER UTILITY
CITY OF SCOTTSBURG
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2015, with William H. Graham, Mayor; Janetta C. Hardy, Clerk-Treasurer; Terry Amick, President Pro Tempore of the Common Council; Tonja Caudill, Utility Office Manager; and Kerry Thompson, City Attorney.