

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MADISON

JEFFERSON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
06/26/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Kalb	01-01-12 to 12-31-15
Mayor	Damon Welch	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Damon Welch	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Rick Berry	01-01-13 to 12-31-15
Superintendent of Utilities	Randy Eggenpiller Brian Jackson	01-01-13 to 12-31-13 01-01-14 to 12-31-15
Utility Office Manager	Brian Jackson Sara Stetson	01-01-13 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Madison (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

April 9, 2015

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COMMON COUNCIL
CITY OF MADISON

COMMON COUNCIL
CITY OF MADISON
AUDIT RESULTS AND COMMENTS

POSITIONS PAID FROM MULTIPLE FUNDS

The City prorated the salary of the Community Development Director and the Mayor's Secretary from the following funds:

Fund	Community Development Director Salary	Mayor's Secretary Salary
General Fund	\$ 11,377.86	\$ 6,526.00
Park & Recreation-Gen.	11,377.86	-
Transfer Sta. Operating	-	4,398.68
Water Operating	11,377.86	12,271.48
Sewage Operating	<u>11,377.86</u>	<u>12,271.48</u>
Totals	<u>\$ 45,511.44</u>	<u>\$ 35,467.64</u>

No time records were presented for audit supporting the above proration.

A similar comment was reported in the prior report.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUY MONEY - POLICE

The Police Department expended "Buy Money"; however, the Common Council has not passed an ordinance establishing the program allowing these types of expenditures.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. Under IC 36-1-3, an ordinance should be passed allowing this type of program and associated expenditures; . . .

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

COMMON COUNCIL
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2015, with Rick Berry, President Pro Tempore of the Common Council; Damon Welch, Mayor; William Kalb, Clerk-Treasurer; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.

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BOARD OF PUBLIC WORKS AND SAFETY
CITY OF MADISON

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF MADISON
FEDERAL FINDING

**FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT
AND SUSPENSION AND DEBARMENT**

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): A192-11-FF-10-101
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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 Procurement and Suspension and Debarment compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not established proper internal controls to ensure the subrecipient and the contractors who were paid by the City from the grant funding were not suspended or debarred from receiving federal funding. The City relied on a Grant Administrator to comply with the Procurement and Suspension and Debarment compliance requirements, and did not review their work.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 controls, including segregation of duties, related to the grant agreement and compliance requirements of Procurement and Suspension and Debarment.

William J. Kalb

CLERK - TREASURER

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City of Madison

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Clerk Treasurer
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

The Clerk Treasurer will review at the end of the month, financial transactions and reports. The Clerk Treasurer will then initial reports.

Anticipated Completion Date:04/01/2015

FINDING 2013-002 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action:Jan Melton/Tammy Boldery
Contact Phone Number:812-265-8316

Description of Corrective Action Plan:

Jan will email the administrator of the federal grants monthly to make sure that all processes are being followed. She will then keep the replies that she receives in a file for review by SBOA.

Tammy Boldery will complete the SEFA and The Clerk Treasurer will review and sign off before submitting the report in Gateway.

Anticipated Completion Date:05/01/2015

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

Contact Person Responsible for Corrective Action:The Park Board and David Stucker
Contact Phone Number:812-265-8308

Description of Corrective Action Plan:

Jeff Bridgford has started taking separate payments for Jeff's Pro Shop and for The City of Madison. Funds are no longer commingled between Jeff's Pro Shop and City of Madison. The City funds are deposited as received and receipted. It was the conclusion of the exit interview group that a separate debit/credit card machine is needed for City transactions so that Jeff does not run City transactions on his debit/credit machine. The Park Board must approve this and is looking into the purchase of another debit/credit card machine for city use only. The Park Board will not have a meeting to further discuss this until April 29, 2015.

Anticipated Completion Date:04/01/2015

William J. Kalb
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City of Madison

FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Emails will be sent to the grant administrators to make sure that sub-recipients are screened as required by law. All correspondence will be kept in a file for review by SBOA.

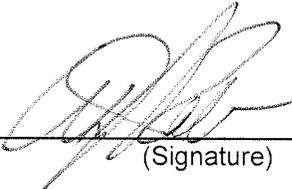
Anticipated Completion Date: 05/01/2015

FINDING 2013-005 - INTERNAL CONTROL OVER DAVIS BACON

Contact Person Responsible for Corrective Action: Jan Melton/Dick Goodman
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Dick Goodman, President of The Board of Aviation Commissioners, will be signing off on the payrolls that are being submitted for review by contractors. He will review the payrolls to make sure that the Davis Bacon Act is followed. He will then submit copies to Jan Melton for her SBOA review file.

Anticipated Completion Date: 05/01/2015



(Signature)

c/t

(Title)

APRIL 22, 2015

(Date)

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF MADISON
AUDIT RESULT AND COMMENT

POSITIONS PAID FROM MULTIPLE FUNDS

The City prorated the salary of the Community Development Director and the Mayor's Secretary from the following funds:

Fund	Community Development Director Salary	Mayor's Secretary Salary
General Fund	\$ 11,377.86	\$ 6,526.00
Park & Recreation-Gen.	11,377.86	-
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Totals	<u>\$ 45,511.44</u>	<u>\$ 35,467.64</u>

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A similar comment was reported in the prior report.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2015, with Damon Welch, Mayor; Rick Berry, President Pro Tempore of the Common Council; William Kalb, Clerk-Treasurer; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.

CLERK-TREASURER
CITY OF MADISON

CLERK-TREASURER
CITY OF MADISON
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce the risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash and investment balances and receipts. The Receipts Clerk is responsible for writing receipts, recording receipts, and performing month end bank reconciliations. The Clerk-Treasurer stated that he reviews the bank reconciliation and fund report; however, that review was not documented. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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)

FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION OF 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 five federal grants totaling \$628,030 were not included on the City's SEFA. 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.

CLERK-TREASURER
CITY OF MADISON
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)

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:

- (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."

William J. Kalb

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City of Madison

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Clerk Treasurer
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

The Clerk Treasurer will review at the end of the month, financial transactions and reports. The Clerk Treasurer will then initial reports.

Anticipated Completion Date:04/01/2015

FINDING 2013-002 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action:Jan Melton/Tammy Boldery
Contact Phone Number:812-265-8316

Description of Corrective Action Plan:

Jan will email the administrator of the federal grants monthly to make sure that all processes are being followed. She will then keep the replies that she receives in a file for review by SBOA.

Tammy Boldery will complete the SEFA and The Clerk Treasurer will review and sign off before submitting the report in Gateway.

Anticipated Completion Date:05/01/2015

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

Contact Person Responsible for Corrective Action:The Park Board and David Stucker
Contact Phone Number:812-265-8308

Description of Corrective Action Plan:

Jeff Bridgford has started taking separate payments for Jeff's Pro Shop and for The City of Madison. Funds are no longer commingled between Jeff's Pro Shop and City of Madison. The City funds are deposited as received and receipted. It was the conclusion of the exit interview group that a separate debit/credit card machine is needed for City transactions so that Jeff does not run City transactions on his debit/credit machine. The Park Board must approve this and is looking into the purchase of another debit/credit card machine for city use only. The Park Board will not have a meeting to further discuss this until April 29, 2015.

Anticipated Completion Date:04/01/2015

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City of Madison

FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Emails will be sent to the grant administrators to make sure that sub-recipients are screened as required by law. All correspondence will be kept in a file for review by SBOA.

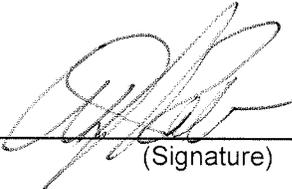
Anticipated Completion Date: 05/01/2015

FINDING 2013-005 - INTERNAL CONTROL OVER DAVIS BACON

Contact Person Responsible for Corrective Action: Jan Melton/Dick Goodman
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Dick Goodman, President of The Board of Aviation Commissioners, will be signing off on the payrolls that are being submitted for review by contractors. He will review the payrolls to make sure that the Davis Bacon Act is followed. He will then submit copies to Jan Melton for her SBOA review file.

Anticipated Completion Date: 05/01/2015



(Signature)

c/t

(Title)

APRIL 22, 2015

(Date)

CLERK-TREASURER
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2015, with William Kalb, Clerk-Treasurer; Damon Welch, Mayor; Rick Berry, President Pro Tempore of the Common Council; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.

BOARD OF AVIATION COMMISSIONERS
CITY OF MADISON

BOARD OF AVIATION COMMISSIONERS
CITY OF MADISON
FEDERAL FINDING

FINDING 2013-005 - INTERNAL CONTROLS OVER DAVIS-BACON ACT

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0052-1511, 3-18-0052-1612

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 Davis-Bacon Act compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City did not establish internal controls to ensure that weekly certified payrolls were received from the contractors and reviewed for proper payment of prevailing wage rates. The City relied on a Grant Administrator to comply with the Davis-Bacon Act compliance requirements, and did not review their work.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 controls, including segregation of duties, related to the grant agreement and the compliance requirements of the Davis-Bacon Act.

William J. Kalb

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City of Madison

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Clerk Treasurer
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

The Clerk Treasurer will review at the end of the month, financial transactions and reports. The Clerk Treasurer will then initial reports.

Anticipated Completion Date:04/01/2015

FINDING 2013-002 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action:Jan Melton/Tammy Boldery
Contact Phone Number:812-265-8316

Description of Corrective Action Plan:

Jan will email the administrator of the federal grants monthly to make sure that all processes are being followed. She will then keep the replies that she receives in a file for review by SBOA.

Tammy Boldery will complete the SEFA and The Clerk Treasurer will review and sign off before submitting the report in Gateway.

Anticipated Completion Date:05/01/2015

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

Contact Person Responsible for Corrective Action:The Park Board and David Stucker
Contact Phone Number:812-265-8308

Description of Corrective Action Plan:

Jeff Bridgford has started taking separate payments for Jeff's Pro Shop and for The City of Madison. Funds are no longer commingled between Jeff's Pro Shop and City of Madison. The City funds are deposited as received and receipted. It was the conclusion of the exit interview group that a separate debit/credit card machine is needed for City transactions so that Jeff does not run City transactions on his debit/credit machine. The Park Board must approve this and is looking into the purchase of another debit/credit card machine for city use only. The Park Board will not have a meeting to further discuss this until April 29, 2015.

Anticipated Completion Date:04/01/2015

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City of Madison

FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Emails will be sent to the grant administrators to make sure that sub-recipients are screened as required by law. All correspondence will be kept in a file for review by SBOA.

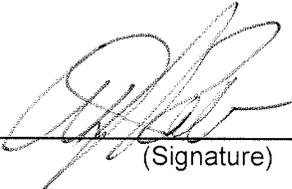
Anticipated Completion Date: 05/01/2015

FINDING 2013-005 - INTERNAL CONTROL OVER DAVIS BACON

Contact Person Responsible for Corrective Action: Jan Melton/Dick Goodman
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Dick Goodman, President of The Board of Aviation Commissioners, will be signing off on the payrolls that are being submitted for review by contractors. He will review the payrolls to make sure that the Davis Bacon Act is followed. He will then submit copies to Jan Melton for her SBOA review file.

Anticipated Completion Date: 05/01/2015



(Signature)

c/t

(Title)

APRIL 22, 2015

(Date)

BOARD OF AVIATION COMMISSIONERS
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2015, with David R. Goodman, Jr., President of the Board of Aviation Commissioners.

The contents of this report were discussed on April 9, 2015, with Damon Welch, Mayor; William Kalb, Clerk-Treasurer; Rick Berry, President Pro Tempore of the Common Council; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.

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PARKS AND RECREATION DEPARTMENT
CITY OF MADISON

PARKS AND RECREATION DEPARTMENT
CITY OF MADISON
FEDERAL FINDING

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies regarding receipts constitute significant deficiencies.

Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts at the City's golf course. One employee at the golf course is responsible for balancing the collections to the receipts issued and making bank deposits. The same employee, by contract, has exclusive rights to operate the food concessions and sell merchandise at the golf course's pro shop. Receipts of the golf course belonging to the City were sometimes comingled with receipts for food concessions and merchandise sales in the pro shop. This was primarily the result of (1) the same credit card machine and the same set of gift certificates being used for both golf course and pro shop transactions and (2) checks written for pro shop merchandise or concessions being made payable to the golf course in error. One employee at the golf course was responsible for balancing the collections at the golf course, including any amount due to/from the City to/from the pro shop. The activities related to golf course receipts were not always reviewed or verified.

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)

William J. Kalb

CLERK - TREASURER

CLERKTREASURER@MADISON-IN.GOV



101 WEST MAIN STREET
MADISON, INDIANA 47250-3775
(812) 265-8316
FAX: (812) 273-6089

City of Madison

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Clerk Treasurer
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:

The Clerk Treasurer will review at the end of the month, financial transactions and reports. The Clerk Treasurer will then initial reports.

Anticipated Completion Date:04/01/2015

FINDING 2013-002 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action:Jan Melton/Tammy Boldery
Contact Phone Number:812-265-8316

Description of Corrective Action Plan:

Jan will email the administrator of the federal grants monthly to make sure that all processes are being followed. She will then keep the replies that she receives in a file for review by SBOA.

Tammy Boldery will complete the SEFA and The Clerk Treasurer will review and sign off before submitting the report in Gateway.

Anticipated Completion Date:05/01/2015

FINDING 2013-003 - INTERNAL CONTROLS OVER THE COLLECTION OF GOLF COURSE FEES

Contact Person Responsible for Corrective Action:The Park Board and David Stucker
Contact Phone Number:812-265-8308

Description of Corrective Action Plan:

Jeff Bridgford has started taking separate payments for Jeff's Pro Shop and for The City of Madison. Funds are no longer commingled between Jeff's Pro Shop and City of Madison. The City funds are deposited as received and receipted. It was the conclusion of the exit interview group that a separate debit/credit card machine is needed for City transactions so that Jeff does not run City transactions on his debit/credit machine. The Park Board must approve this and is looking into the purchase of another debit/credit card machine for city use only. The Park Board will not have a meeting to further discuss this until April 29, 2015.

Anticipated Completion Date:04/01/2015

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FINDING 2013-004 - INTERNAL CONTROLS OVER PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Tammy Boldery
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Emails will be sent to the grant administrators to make sure that sub-recipients are screened as required by law. All correspondence will be kept in a file for review by SBOA.

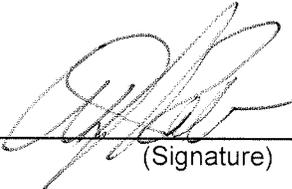
Anticipated Completion Date: 05/01/2015

FINDING 2013-005 - INTERNAL CONTROL OVER DAVIS BACON

Contact Person Responsible for Corrective Action: Jan Melton/Dick Goodman
Contact Phone Number: 812-265-8316

Description of Corrective Action Plan:
Dick Goodman, President of The Board of Aviation Commissioners, will be signing off on the payrolls that are being submitted for review by contractors. He will review the payrolls to make sure that the Davis Bacon Act is followed. He will then submit copies to Jan Melton for her SBOA review file.

Anticipated Completion Date: 05/01/2015



(Signature)

c/t

(Title)

APRIL 22, 2015

(Date)

PARKS AND RECREATION DEPARTMENT
CITY OF MADISON
AUDIT RESULT AND COMMENT

DEPOSITS NOT MADE INTACT AND NOT MADE TIMELY

City records indicated that some Parks and Recreation Department collections at the golf course were not deposited timely and not deposited in the same form in which they were received.

1. The May 6, 2013 bank deposit of \$4,465 included collections of greens fees and golf cart rentals during the period April 30, 2013 to May 4, 2013. The bank deposit included a check in the amount of \$1,625. The golf course duplicate receipts showed no receipt in the form of a check for that amount.

The July 16, 2013 bank deposit of \$7,754 included collections of greens fees and golf cart rentals during the period July 7, 2013 to July 15, 2013. The bank deposit included a check in the amount of \$741. The golf course duplicate receipts showed no receipt in the form of a check for that amount.

Jeff Bridgford, Golf Professional, has exclusive rights to operate food concessions and sell merchandise per a written agreement between Mr. Bridgford and the Parks and Recreation Board. When an individual or company purchased food concessions or merchandise from the pro shop, and the check was written to the golf course, it was Mr. Bridgford's practice to deposit the check with the golf course collections, and reimburse the pro shop with cash from the fees collected at the golf course.

We requested supporting documentation for the two checks noted above. Based on invoices presented for audit, the checks were for the purchase of merchandise in the amount of \$1,625, and food concessions in the amount of \$741.

The total collections per the duplicate receipts agreed in total to the bank deposit.

2. The duplicate receipts for collection of greens fees and golf cart rental during the periods April 30, 2013 to May 4, 2013, and July 7, 2013 to July 15, 2013, indicated some payments were made by credit card. The Parks and Recreation Department has not established a system by which golf course fees can be paid by credit card. It has been the Parks and Recreation Department's practice to use the credit card machine in the pro shop to allow payment of greens fees and golf cart rental by credit card. Cash or a check from the pro shop was used to reimburse the golf course for payments made by credit card.

The total collections per the duplicate receipts agreed in total to the cash and checks deposited for the periods April 30, 2013 to May 4, 2013, and July 7, 2013 to July 15, 2013.

3. Gift certificates purchased in the pro shop can be used for payment of greens fees and golf cart rental. When a gift certificate is redeemed for greens fees or golf cart rental, a receipt is written to the individual and the payment type on the receipt is marked "other." Cash from the pro shop is then used to reimburse the golf course for payment of greens fees and golf cart rentals made with gift certificates.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

PARKS AND RECREATION DEPARTMENT
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2015, with David Stucker, Parks Director; Damon Welch, Mayor; William Kalb, Clerk-Treasurer; Rick Berry, President Pro Tempore of the Common Council; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.

POLICE DEPARTMENT
CITY OF MADISON

POLICE DEPARTMENT
CITY OF MADISON
AUDIT RESULTS AND COMMENTS

BUY MONEY - POLICE

The Police Department expended "Buy Money"; however, the Common Council has not passed an ordinance establishing the program allowing these types of expenditures.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. Under IC 36-1-3, an ordinance should be passed allowing this type of program and associated expenditures; . . .

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week. We noted receipts held up to 34 days before being remitted to the Clerk-Treasurer for deposit.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

POLICE DEPARTMENT
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2015, with Dan Thurston, Police Chief; Damon Welch, Mayor; William Kalb, Clerk-Treasurer; Rick Berry, President Pro Tempore of the Common Council; Bob Cooke, Human Resource Director; and Tammy Boldery, Payroll/Computer Specialist.