

**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, 2014 to December 31, 2014



**FILED**

08/11/2016



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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 12-31-19
Mayor	William H. Graham	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	William H. Graham	01-01-14 to 12-31-16
President Pro Tempore of the Common Council	Terry Amick William Hoagland	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Utility Office Manager	Tonja Caudill	01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
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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, 2014 to December 31, 2014. 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/](http://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 Plans for the Federal Findings, incorporated within this report, were not verified for accuracy.

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

April 26, 2016

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CLERK-TRESASURER  
CITY OF SCOTTSBURG

CLERK-TREASURER  
CITY OF SCOTTSBURG  
FEDERAL FINDINGS

***FINDING 2014-002 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS***

The City did 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.

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 2014-003 - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Commerce

Federal Program: Economic Adjustment Assistance

CFDA Number: 11.307

Federal Award Numbers and Years (or Other Identifying Numbers): 06-1902674 and 06-3902499

Pass-Through Entity: Direct



CLERK-TREASURER  
CITY OF SCOTTSBURG  
FEDERAL FINDINGS  
(Continued)

Management of the City of Scottsburg had not established an effective internal control system, related to the grant agreement and the following compliance requirement: Special Tests and Provisions. The grant had a requirement that the portion of the Revolving Loan Fund (RLF) capital base that was not loaned out must have been made available for lending. Generally, the Economic Development Administration would have required that recipients have at least 75 percent of the RLF's capital base loaned or committed at any given time; however, the City was required by Economic Development Administration (EDA) to sequester \$61,406 that was categorized as excess funds because proper allocation of funds did not meet the EDA program guidelines of 75 percent for two consecutive reporting periods.

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 placed the City at risk of noncompliance with the grant agreement and the compliance requirement.

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, 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 would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program would have resulted 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 requirement 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

## FINDING 2014-002 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: Janetta C. Hardy

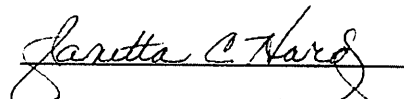
Clerk-Treasurer

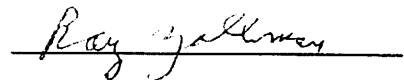
812-752-4343 x222

We concur with the finding.

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.

Anticipated Completion Date: Action plan was initiated in February 2015 and will remain in effect indefinitely.

  
Clerk-Treasurer

  
Board of Works and Public Safety

  
Water Utility Board

April, 12, 2016

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

## FINDING 2014-003: SPECIAL TESTS AND PROVISIONS

Contact: Janetta C. Hardy

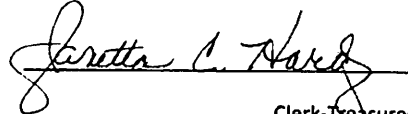
Clerk-Treasurer

812-752-4343 x222

We concur with the finding.

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 fund to the City or result in the sequestration of current City funds.

Anticipated Completion Date: Action plan was initiated with the March 2015 semi-annual report and will remain in effect indefinitely.

  
Clerk-Treasurer

April, 12, 2016

CLERK-TREASURER  
CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with Janetta C. Hardy, Clerk-Treasurer, and Patricia L. Richey, Deputy Clerk-Treasurer.

The contents of this report were also discussed on April 26, 2016, with William H. Graham, Mayor; William Hoagland, President Pro Tempore of the Common Council; Karen L. Gricius, Common Council member; Stanley L. Allen, Common Council member; and Kerry Thompson, City Attorney.

MAYOR'S OFFICE  
CITY OF SCOTTSBURG

MAYOR'S OFFICE  
CITY OF SCOTTSBURG  
AUDIT RESULT AND COMMENT

**CREDIT CARDS USAGE**

A review of the City's credit card activity during 2014 identified the following deficiencies:

1. One instance was noted where personal expenses were charged to the City's credit card. The responsible party provided a personal check payable to the credit card company which accompanied the City's payment to the credit card vendor.
2. 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, \$113 in late fees and finance charges were incurred and billed to the City's account. Late fees and finance charges were paid by the responsible party through personal checks made payable directly to the credit card vendor. In addition, a \$15 expedited payment fee was paid by the City in one instance to avoid incurring additional charges.

A similar comment appeared in prior Report B45130.

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)

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 April 26, 2016, with William H. Graham, Mayor.

The contents of this report were also discussed on April 26, 2016, with William Hoagland, President Pro Tempore of the Common Council; Karen L. Gricius, Common Council member; Stanley L. Allen, Common Council member; Kerry Thompson, City Attorney; Janetta C. Hardy, Clerk-Treasurer; and Patricia L. Richey, Deputy Clerk-Treasurer.

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COMMON COUNCIL  
CITY OF SCOTTSBURG

COMMON COUNCIL  
CITY OF SCOTTSBURG  
AUDIT RESULT AND COMMENT

**PROMOTION OF CITY EXPENDITURES**

Expenditures identified as promotion of City business were made without an Ordinance approved by the Common Council, which should set the parameters for those types of expenses to be budgeted and paid from the General fund. During 2014, the City paid promotion of City expenses out of General fund appropriations in the Clerk-Treasurer's and Mayor's budgets in the amounts of \$5,864 and \$13,992, respectively. These appropriations were approved by the Common Council as part of the 2014 budget. A majority of the expenses were related to meals at local restaurants, Christmas party expenses, and donations to various organizations. Failure to establish, by Ordinance, the parameters for such expenses puts the City at risk of paying expenses that could be considered personal in nature. The establishment and approval of an Ordinance for the promotion of City business allows the proper guidance to determine that promotional expenditures are allowable.

The City Ordinance Book includes Ordinance 2013-3, 'An Ordinance To Provide Guidelines For The Use Of Promotional Funds By The Office Of The Mayor And Office Of The Clerk-Treasurer Of Scottsburg.' The Ordinance is not signed and the minutes did not indicate that it had been properly approved by the Common Council.

Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2012, states:

"IC 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with IC 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained.

In an effort to assist cities and towns that have not passed an enabling ordinance but who wish to establish the promotion of business ordinance, we are repeating wording contained in the old statute. Many municipalities have used similar wording in their enabling ordinance.

'City and town councils are authorized to budget and appropriate funds from the general fund of the city, or town, to pay the expense of or to reimburse city officials or town officials, as the case may be, for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the best interest of the city or town.'

This is furnished only for your information. Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. Please note that we would take audit exception to excessive amounts expended for employee meals, awards, gifts and similar expenses and amounts expended for items not listed in the ordinance."

COMMON COUNCIL  
CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with William Hoagland, President Pro Tempore of the Common Council; Karen L. Gricius, Common Council member; and Stanley L. Allen, Common Council member.

The contents of this report were also discussed on April 26, 2016, with William H. Graham, Mayor; Kerry Thompson, City Attorney; Janetta C. Hardy, Clerk-Treasurer; and Patricia L. Richey, Deputy Clerk-Treasurer.

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BOARD OF PUBLIC WORKS AND SAFETY  
CITY OF SCOTTSBURG

BOARD OF PUBLIC WORKS AND SAFETY  
CITY OF SCOTTSBURG  
FEDERAL FINDINGS

***FINDING 2014-001 - 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 was reported in the financial statement to ensure complete and accurate reporting. Financial activity related to the Mid-America Science Park (MASP) was not available for audit and was not included in the financial statement. In addition, the City did not have controls in place to provide proper accountability related to the receipt activity at the MASP.

The City had an agreement with the Scott County Economic Development Corporation (SCEDC), a not-for-profit entity, to manage the MASP. Monies were 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 were 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 allowed for the SCEDC to retain the rental proceeds rather than remit the rental proceeds to the City Clerk-Treasurer. The agreement did not require the SCEDC to report the collection activity to the City. As a result, financial activity related to rental proceeds was not reflected on the City's financial records and was not reported on the City's annual financial statement.
2. Information was not contained in the contract that required the SCEDC to make any type of financial reporting to the City regarding rental monies collected, tenants 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 did 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 did 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 did 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 did not require the City to be allowed access to the financial records of the SCEDC or an audit of the MASP activity to determine proper accountability and reporting of MASP monies.

Effective internal control over financial reporting would have involved 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 have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result 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.

BOARD OF PUBLIC WORKS AND SAFETY  
CITY OF SCOTTSBURG  
FEDERAL FINDINGS  
(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.

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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 2014-002 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS***

The City did 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.

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.

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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."

**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

April 18, 2016

**Re: City of Scottsburg**

***FINDING 2014-001 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 2014-001, 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 after date of that letter corrected the findings from 2013-2. That contract was executed 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 dated January 13, 2015, is enclosed. The terms of the amended contract adequately address the issues expressed in finding 2013-2 and again in finding 2014-001, so the corrective action plan 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



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

This Amended Contract is made on the 13<sup>th</sup> 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 30<sup>th</sup> 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.

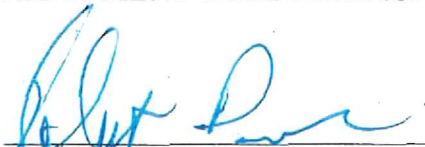
5. SCEDC shall be responsible for any theft or fraud involving funds within its control. SCEDC shall obtain theft/fraud insurance for loss due to employee theft/fraud.

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 13<sup>th</sup> 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

## FINDING 2014-002 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: Janetta C. Hardy

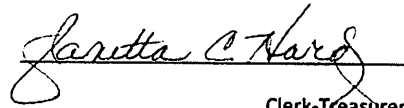
Clerk-Treasurer

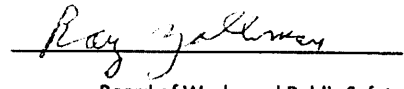
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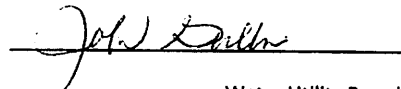
We concur with the finding.

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.

Anticipated Completion Date: Action plan was initiated in February 2015 and will remain in effect indefinitely.

  
Clerk-Treasurer

  
Board of Works and Public Safety

  
Water Utility Board

April, 12, 2016

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

**QUESTIONABLE EXPENDITURES**

A review of disbursements indicated the following amounts that were charged on credit cards and paid from the various departments that appeared to be unreasonable and unrelated to the functions and purposes of the City departments.

Date	Amount	Department/Fund	Payee	Description of Purchase (if any)
01-13-14	\$ 500	Motor Vehicle Highway	VISA Credit Card	Share of Christmas Gifts
01-13-14	225	Parks	VISA Credit Card	KFC - Christmas dinner on 12/20/13
01-13-14	389	Water Utility	VISA Credit Card	Share of Christmas Gifts
01-13-14	575	Electric Utility	VISA Credit Card	Share of Christmas Gifts
01-14-14	250	Parks	Walmart Credit Card	Share of Christmas Gifts
01-14-14	275	Police	Walmart Credit Card	Share of Christmas Gifts
01-14-14	369	Animal Shelter	Walmart Credit Card	Christmas party gifts
01-14-14	297	Sewage Utility	Walmart Credit Card	Share of Christmas Gifts
12-09-14	509	Parks	VISA Credit Card	Cracker Barrel - Thanksgiving dinner for park staff on 11-24-14
Totals	\$ 3,389			

The items charged to the VISA credit card and paid on January 13, 2014, consisted of various small appliances and tools that ranged in price from \$10 to \$20 that were purchased from several local retail stores. These items were later divided between the departments and given as gifts to staff during the department Christmas parties. The items charged to the Walmart credit card paid on January 14, 2014, were similar in nature and used for the same purpose.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD OF PUBLIC WORKS AND SAFETY  
CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with William H. Graham, Mayor/President of the Board of Public Works and Safety; and William Hoagland, Board of Public Works and Safety member.

The contents of this report were also discussed on April 26, 2016, with Karen L. Gricius, Common Council member; Stanley L. Allen, Common Council member; Kerry Thompson, City Attorney; Janetta C. Hardy, Clerk-Treasurer; and Patricia L. Richey, Deputy Clerk-Treasurer.

REDEVELOPMENT COMMISSION  
CITY OF SCOTTSBURG

REDEVELOPMENT COMMISSION  
CITY OF SCOTTSBURG  
AUDIT RESULT AND COMMENT

***LACK OF CONTRACT FOR TRAIL PROJECT ENGINEERING SERVICES***

During 2014, the City paid \$28,427 from the Northwest Tax Increment Fund for engineering services related to Trail Project No. SEI 0215. No written contract was presented for audit. Invoice billing was based on an hourly rate for services related to right-of-way negotiations; work related to obtaining permits; reviewing contractor drawings; construction observation, etc.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



REDEVELOPMENT COMMISSION  
CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with Lowell L. Lowry, President of the Redevelopment Commission.

The contents of this report were also discussed on April 26, 2016, with William H. Graham, Mayor; William Hoagland, President Pro Tempore of the Common Council; Karen L. Gricius, Common Council member; Stanley L. Allen, Common Council member; Kerry Thompson, City Attorney; Janetta C. Hardy, Clerk-Treasurer; and Patricia L. Richey, Deputy Clerk-Treasurer.

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WATER UTILITY  
CITY OF SCOTTSBURG

WATER UTILITY  
CITY OF SCOTTSBURG  
FEDERAL FINDING

***FINDING 2014-002 - INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS***

The City did 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.

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."

2 East McClain Ave.  
Scottsburg, Indiana 47170

# City of Scottsburg

Indiana

JAN HARDY  
City Clerk/Treasurer

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

## FINDING 2014-002 INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Contact: Janetta C. Hardy

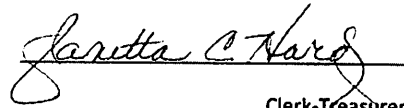
Clerk-Treasurer

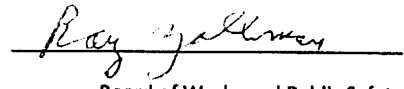
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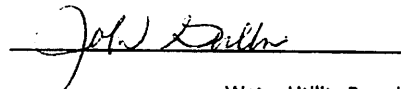
We concur with the finding.

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.

Anticipated Completion Date: Action plan was initiated in February 2015 and will remain in effect indefinitely.

  
Clerk-Treasurer

  
Board of Works and Public Safety

  
Water Utility Board

April, 12, 2016

WATER UTILITY  
CITY OF SCOTTSBURG  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with John Gullion, Water Utility Board member.

The contents of this report were also discussed on April 26, 2016, with William H. Graham, Mayor; William Hoagland, President Pro Tempore of the Common Council; Karen L. Gricius, Common Council member; Stanley L. Allen, Common Council member; Kerry Thompson, City Attorney; Janetta C. Hardy, Clerk-Treasurer; and Patricia L. Richey, Deputy Clerk-Treasurer.