

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MADISON

JEFFERSON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

08/23/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rick Berry Kathleen M. Rampy	01-01-22 to 02-06-22 02-07-22 to 12-31-23
Mayor	Bob G. Courtney	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Bob G. Courtney	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Kathleen M. Rampy Curtis Chatham Carla Krebs	01-01-22 to 02-06-22 02-07-22 to 12-31-22 01-01-23 to 12-31-23
Utility Office Manager	Rob Holt	01-01-22 to 12-31-23



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Madison (City), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the City's financial statement and have issued our report thereon dated August 14, 2023, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

City of Madison's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 14, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Madison's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the City, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated August 14, 2023, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 14, 2023

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF MADISON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Cyrstal Beach Matching Grant	Indiana Office of Community and Rural Affairs	14.228	ST-18-103	\$ -	\$ 1,582,263
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Community Dev Block Grant/State's program and Non-Entitle Stellar Rehab	Indiana Housing and Community Development Authority	14.228	HD-018-001	-	<u>5,620</u>
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				-	<u>1,587,883</u>
Total - Department of Housing and Urban Development				-	<u>1,587,883</u>
<u>Department of the Interior</u>					
Historic Preservation Fund Grants-In-Aid Historic Preservation Federal Grant	Indiana Department of Natural Resources	15.904	P21AF11019-00	-	<u>23,199</u>
Total - Department of the Interior				-	<u>23,199</u>
<u>Department of Justice</u>					
Missing Children's Assistance Missing Children's Assistance	Indiana Criminal Justice Institute	16.543	2020-MC-FX-K008	-	<u>2,660</u>
Total - Department of Justice				-	<u>2,660</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Hwy 56 Storm Sewer Project	Indiana Department of Transportation	20.205	1600669	-	<u>5,981</u>
Total - Highway Planning and Construction				-	<u>5,981</u>
Total - Highway Planning and Construction Cluster				-	<u>5,981</u>

CITY OF MADISON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	Direct	20.106			
COVID-19 - Airport Improvement Program			3-18-0052-026-2021	-	12,829
Airport Improvement Program			3-18-0052-023-2019	-	44,831
Airport Improvement Program			3-18-0052-025-2020	-	7,009
Airport Improvement Program			3-18-0052-026-2021	-	115,458
Total - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs				-	180,127
Total - Department of Transportation				-	186,108
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Direct	21.027			
Coronavirus Relief Fund			040_INCOVID2020	-	301,500
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Indiana Department of Homeland Security	21.027			
Body Camera Grant			FR-2022-ILBC-00019	-	14,304
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				-	315,804
Total - Department of the Treasury				-	315,804
<u>Environmental Protection Agency</u>					
Drinking Water State Revolving Fund (DWSRF) Cluster	Indiana Finance Authority	66.468			
Drinking Water State Revolving Fund			DW22093903	-	1,028,582
Clean Wtr SRF Cluster				-	-
Total - Drinking Water State Revolving Fund (DWSRF) Cluster				-	1,028,582
Total - Environmental Protection Agency				-	1,028,582
Total federal awards expended				\$ -	\$ 3,144,236

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MADISON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal pProgram or Cluster	Opinion Issued
14.228	Drinking Water State Revolving Fund (DWSRF) Cluster	Unmodified
	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022- 001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-001.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The City had not established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA). The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors prior to submission.

Due to the lack of internal controls, the SEFA presented for audit included the following errors:

1. The Drinking Water State Revolving Fund (DWSRF) Cluster expenditures were understated by \$1,023,248.
2. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures, were understated by \$315,804.
3. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were overstated by \$229,500.
4. The Airport Improvement Program, COVID-19 - Airports Programs, and Infrastructure Investment and Jobs Act Programs grants, were omitted, which resulted in the expenditures being understated by \$180,127.
5. Several additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$80,539, in total.
6. Other errors included incorrect pass-through entity names, program names, and identifying numbers.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section § 200.510. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must be included.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414."

Cause

Management of the City had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2022-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2021-002.

Condition and Context

The City had not established an adequate system of internal controls related to financial transactions and reporting. Internal controls were either not in place or not effective for the following audit areas: financial close and reporting, cash and investments, receipts, and disbursements.

Financial Close and Reporting

The City had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Annual Financial Report (AFR) and financial statement.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City failed to properly review the financial information prepared and submitted in Gateway to ensure all transactions of the City had been properly recorded and reported. The Clerk-Treasurer prepared and entered the financial information into Gateway; however, there were no internal controls in place, such as an oversight, review, or approval process to ensure financial transactions and the AFR and financial statement were accurate.

Due to the lack of internal controls, the following errors were noted:

1. Transactions related to the Madison Plaza TIF bond issue were not recorded in the records or reported in the City's financial statement. Failure to record and report the Madison Plaza TIF bond transactions resulted in receipts, disbursements, and ending cash and investments balances being understated by \$4,953,349, \$1,832,832, and \$3,120,517, respectively.
2. Transactions related to the Super ATV TIF bond issue were not recorded in the records or reported in the City's financial statement. Failure to record and report the Super ATV TIF bond transactions resulted in receipts, disbursements, and ending cash and investments balances being understated by \$2,865,002, \$2,865,001, and \$1, respectively.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report for the City.

Cash and Investments

The City had not established internal controls over the monthly reconciliation of the depository balance to the financial records. The City engaged the services of a firm to complete the monthly reconciliations; however, the City did not have documented controls in place to ensure that the firm was completing reconciliations timely or that the reconciliations prepared were reviewed by someone other than who prepared them.

Due to the lack of internal controls, the following items were noted:

1. Monthly reconciliations for the months of March 2022 through December 2022 were not performed timely. The December 2022 reconciliation was not completed and presented for audit until May 2023.
2. The December 2022 monthly reconciliations included reconciling items dating as far back as March 2022 that had not been investigated and resolved as of May 2023.
3. Transactions were not always made from the correct bank account. As of December 31, 2022, identified cash in the amount \$1,352,482 was in the wrong bank accounts.
4. The December 2022 monthly reconciliation showed a variance of \$216,945 between the ledger balance and the reconciled depository balances.

Receipts

The City had not established internal controls over receipts. One employee was responsible for issuing and recording receipts without a documented oversight, review, or approval process to ensure all receipts had been posted and classified correctly.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Due to the lack of controls, the following errors were noted:

1. Identified deposits of \$276,182 were not recorded in the unit records.
2. Three distributions from the Auditor of State totaling \$68,826 were not recorded timely.
3. A receipt in the amount of \$236,479 was recorded in the ledger twice and was not detected and corrected in a timely manner.

Disbursements

The City's policies and procedures related to payroll disbursements included three steps. First, the department heads approved and signed the payroll schedule and vouchers prior to submission to the Clerk-Treasurer. Second, the Clerk-Treasurer audited and certified the payroll claims. Finally, the payroll disbursements were presented to the Board of Public Works and Safety for their approval.

Testing revealed that for 11 of 14 hourly employees tested, there was no evidence of the department head's approval or signature prior to submission to the Clerk-Treasurer. In addition, after January 2022, payroll schedules and vouchers were not certified by the Clerk-Treasurer indicating audit and approval of the payroll schedules and vouchers. Finally, the payroll disbursements were not presented to the Board of Public Works and Safety for their approval.

Due to the lack of effective internal controls payroll disbursements totaling \$44,815 were not properly recorded in the ledger and remained uncorrected as of May 2023.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management of the City had not established a proper system of internal controls that would have ensured proper recording of financial transactions and reporting.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal controls in place that operated effectively, misstatements occurred and remained undetected. The financial statement, cash and investments, receipts, and disbursements contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



Kathleen M. Rampy
City of Madison Clerk-Treasurer

City of Madison

(812) 265-8300
Email: clerktreasurer@madison-in.gov

101 W Main Street
Madison, Indiana 47250-3775

June 21, 2023

Summary Schedule of Prior Audit Findings

FINDING 2021-001

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: not completed.

A Grant Administrator was hired as the City of Madison's Grant Administrator to address this finding originally.

The Grant Administrator left the City of Madison's employment in December, 2022. Due to the timing of the last audit and the turnover of staff again in 2022, the implementation of the corrective action plan is ongoing.

FINDING 2021-002

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding: not completed.

The Clerk's office has changed staff from those originally hired in May of 2022. New staff were hired at the end of November, 2022 and in February 2023. As we work with a financial consultant to train the new staff, we continue to work on developing a formal written internal controls policy. Due to the timing of the last audit which ended in late November, 2022 and the turnover of staff, the implementation of the corrective action plan is ongoing currently.

FINDING 2021-003

Fiscal year in which the finding initially occurred: 2021

Status of Audit Finding: not completed.

With the loss of the Grant Administrator, who left in December, 2002 and due to the timing of the last Audit which ended in late November, 2022, the implementation of the corrective action plan is ongoing.

Finding 2021-004

Fiscal year in which the finding originally occurred: 2021.

Status of Audit Finding: not completed.

The Clerk's office has changed staff from those originally hired in May of 2022. New staff were hired at the end of November, 2022 and in February 2023 and our focus has been on training new staff once again. The city has begun using the clause addressing suspended, disbarred, or otherwise excluded individuals from participating in federal award programs and activities. We have made all departments aware of this clause as well and continue to work on the implementation of the corrective action plan.



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City of Madison Clerk-Treasurer

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City of Madison

101 W Main Street
Madison, Indiana 47250-3775

August 2, 2023

CORRECTIVE ACTION PLAN

FINDING 2022-001

Contact Person Responsible for Corrective Action: Kathleen M. Rampy
Contact Phone Number: 812-274-0280

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

- a. The city hired a new Grant Contractor, 5/15/2023. The Grant Contractor maintains all Federal Grants, CFDA numbers, dollar amount, purpose, fund number, application, and council approval. However, opportunities with compliance still exist in the clerk treasurer's office.
- b. The current clerk treasurer's office continues to work with the Grant Contractor and our financial consultants to establish written internal controls to ensure there are not future findings.

Anticipated Completion Date: 12/31/2023



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FINDING 2022-002

Contact Person Responsible for Corrective Action: Kathleen M. Rampy
Contact Phone Number: 812-599-2279

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Clerk-Treasurer's office, along with the rest of the City administration, is working to create a proper system of internal controls through formal written policy. Specific to financial transactions and reporting, review checkpoints are to be in place monthly, quarterly, semi-annually, and annually both within and outside the Clerk-Treasurer's office. Receipts and claims (including payroll) are to be entered by deputy clerk-treasurers and reviewed by the Clerk-Treasurer. Payroll claims will be properly approved and signed by department heads and then presented to the Board of Public works for their approval. Reconciliation will occur at least monthly and working towards daily once local office staff are trained in the process. Financial statements are to be produced and provided to all department heads, board members and council members, monthly, ten (10) days post month-end, for their review. An external financial advisory firm prepares and provides quarterly financial updates that acts as a tool to measure financial performance as well as identify areas that need corrective action throughout the calendar year. At year end, before the year is closed, a very in-depth analysis is done to ensure fund balances will be properly reported.

Anticipated Completion Date: 12/31/2023

Respectfully submitted,

Kathleen M. Rampy,
Clerk Treasurer

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.