

**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, 2015 to December 31, 2015



**FILED**

11/29/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Kalb Rick Berry	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	Damon L. Welch	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Damon L. Welch	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Rick Berry Darrell Henderson David Alcorn	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-18 to 12-31-18
Utility Office Manager	Sara Stetson Mark Hill Rob Holt	01-01-15 to 09-24-17 09-25-17 to 03-26-18 03-27-18 to 12-31-18



**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, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Report of the City, which provides our opinion on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 17, 2018

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CLERK-TREASURER  
CITY OF MADISON

CLERK-TREASURER  
CITY OF MADISON  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B51402, entitled *FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING*.

The City did not have a proper system of controls in place to ensure all financial activity was included in the financial statement.

Financial activity associated with the City's State Revolving Loan funds was not reported in the financial statement. Loan proceeds in the amount of \$9,216,949 and related loan disbursements for wastewater improvements in the amount of \$3,934,886 were not included in the financial statement. Audit adjustments were proposed, accepted by the City, and made to the financial statements.

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. . . ."

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)

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

**INTERNAL CONTROLS - RECEIPTS**

A similar comment also appeared in prior Report B51402, entitled *FINDING 2014-003 - INTERNAL CONTROLS - RECEIPTS*.

Deficiencies in the internal control system of the City related to financial transactions and reporting were identified. There was a lack of segregation of duties related to receipts. The Receipts Clerk was responsible for issuing receipts, recording receipts, and making bank deposits. The same individual responsible for receipts also performed monthly bank reconciliations. There was no oversight or review by another individual to ensure all receipt activity was recorded to the ledger and deposited.

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*Rick Berry*

CLERK - TREASURER  
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## *City of Madison*

### OFFICIAL RESPONSE

#### 2015 INTERNAL CONTROLS/FINANCIAL STATEMENT

The city was unaware that the SRF's needed to be reported since the activity was done through the utility manager's office.

The bookkeeper now inputs the SRF credits and accounts payable inputs any disbursements. The bookkeeper will then balance the accounts with the Bank of New York statements. These will be put into Gateway by the payroll clerk.

#### 2015 INTERNAL CONTROLS/RECEIPTS

There were deficiencies in the internal control system of the city related to financial transactions and reporting plus a lack of segregation of duties.

The Clerk Treasurer makes all deposits and now reconciles the deposit slips from the bank with the bookkeeper on a daily basis.

*Rick Berry*

CLERK-TREASURER  
CITY OF MADISON  
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2018, with Damon L. Welch, Mayor; Rick Berry, Clerk-Treasurer; David Alcorn, President Pro Tempore of the Common Council; Jan Vetrhus, Common Council member; Daniel Dattilo, Common Council member; Bob Cooke, Human Resources/Purchasing; Lacey Gammons, Bookkeeper; and Tammy Boldery, Payroll.