

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF JEFFERSONVILLE

CLARK COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Amy M. Deering Heather Metcalf	01-01-16 to 01-21-16 01-22-16 to 12-31-18
Mayor	Mike Moore	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Mike Moore	01-01-16 to 12-31-18
President of the Common Council	Matt Owen Lisa Gill	01-01-16 to 12-31-16 01-01-17 to 12-31-18
Utility Office Manager	Elisha Gibson	01-01-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF JEFFERSONVILLE, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the City of Jeffersonville (City), for the period from January 1, 2016 to December 31, 2016. 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 Finding, identified in the above referenced audit report, is 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 Finding and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

November 15, 2018

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CITY CONTROLLER
CITY OF JEFFERSONVILLE

CITY CONTROLLER
CITY OF JEFFERSONVILLE
FEDERAL FINDING

FINDING 2016-001

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

Repeat Finding

This is a repeat of Finding 2015-001 from the immediately prior audit.

Condition

The City's internal control system was insufficient to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City's accountant prepared and entered the SEFA via the Indiana Gateway for Government Units financial reporting system and the City Controller reviewed the information entered; however, errors were not identified.

Context

Due to the lack of effective controls, the SEFA contained the following errors:

1. Expenditures for five federal grants were overstated by a total of \$24,846.
2. Three state grants with expenditures totaling \$65,921 were incorrectly included.
3. Expenditures for one grant was understated by \$30,928.
4. There were numerous errors in reporting the awarding agency, program title, project title, pass-through entity, and CFDA numbers.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

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 CONTROLLER
CITY OF JEFFERSONVILLE
FEDERAL FINDING
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 § 200.510 Financial statements. . . ."

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 Basis for determining Federal awards expended. 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.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA 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 Basis for determining Federal awards expended, paragraph (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 Indirect (F&A) costs."

Cause

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

CITY CONTROLLER
CITY OF JEFFERSONVILLE
FEDERAL FINDING
(Continued)

Effect

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

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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



FINANCE DEPARTMENT

Jeffersonville City Hall
500 Quartermaster Court, Suite 300
Jeffersonville, Indiana 47130

812-285-6422 office
812-283-6426 fax

Mike Moore
Mayor

Heather Metcalf
Director of Finance/
Controller
hmetcalf@cityofjeff.net

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Heather Metcalf, Controller
Contact Phone Number: 812-285-6492

Views of Responsible Official:

We concur with the findings.

Description of Corrective Action Plan:

In the future, a form with all the information needed will be developed to be filled out by the person involved with each grant. The Accountant and Controller will also verify all EFT payments from the State of Indiana regarding Federal Grants from the emails the state provides, and will verify the Agency information and Program Titles for each CFDA number through the Federal website.

Anticipated Completion Date:

We anticipate the form to be developed by the end of the year, 2018. The input and verification by the Accountant and Controller will be completed for the 2018 Annual Report submittal in Gateway by March 1, 2019.



(Signature)

Controller

(Title)

10-16-18

(Date)

CITY CONTROLLER
CITY OF JEFFERSONVILLE
AUDIT RESULT AND COMMENT

USE OF TAX INCREMENT FINANCING (TIF) FUNDS

The same comment also appeared in prior Report B47590.

The City used TIF funds for ongoing maintenance of properties that have already been redeveloped. The redeveloped properties and the amount of TIF funds used for the ongoing maintenance for those properties were as follows:

<u>Redeveloped Property</u>	<u>Maintenance</u>	<u>Security</u>	<u>Utilities</u>	<u>Total</u>
Big 4 Station	\$ 74,699	\$ 4,350	\$ 17,550	\$ 96,599
Big 4 Ramp	10,795	1,701	4,261	16,757
Irrigation 201 Pearl St.	451	645	16,831	17,927
Allison Brook Park	-	5,250	1,231	6,481
304 Mulberry St.	-	-	2,531	2,531
Totals	<u>\$ 85,945</u>	<u>\$ 11,946</u>	<u>\$ 42,404</u>	<u>\$ 140,295</u>

Indiana Code 36-7-14-39(b)(3) states in part:

". . . property tax proceeds . . . shall be allocated to the redevelopment district and when collected, paid into an allocation fund area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(B) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

CITY CONTROLLER
CITY OF JEFFERSONVILLE
AUDIT RESULT AND COMMENT
(Continued)

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

- (i) in the allocation area; and
- (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .

The allocation fund may not be used for operating expenses of the commission."

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 for Cities and Towns, Chapter 1)

The uses of TIF funds are restricted to those set forth in the Indiana Code. The power of a redevelopment commission to expend such funds is limited to the express statutory powers as set forth in Indiana Code 36-7-14. The use of TIF funds for ongoing maintenance of redeveloped property is not an expressly or impliedly permitted use, except as provided in Indiana Code 36-7-1-18(7) for repairing and maintaining buildings acquired before redevelopment is complete. (Redevelopment Commission of the Town of Munster, Indiana, v. Indiana State Board of Accounts and Paul D. Joyce, State Examiner of State Board of Accounts, 28 N.E.3d 272 (Ind. App., 2015) trans. denied, 34 N.E.3d 251)

CITY CONTROLLER
CITY OF JEFFERSONVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2018, with Heather Metcalf, City Controller; Lisa Gill, President of the Common Council; Ron Ellis, Common Council member; and Leslie D. Merkley, City Attorney.

REDEVELOPMENT COMMISSION
CITY OF JEFFERSONVILLE

REDEVELOPMENT COMMISSION
CITY OF JEFFERSONVILLE
AUDIT RESULT AND COMMENT

USE OF TAX INCREMENT FINANCING (TIF) FUNDS

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REDEVELOPMENT COMMISSION
CITY OF JEFFERSONVILLE
AUDIT RESULT AND COMMENT
(Continued)

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REDEVELOPMENT COMMISSION
CITY OF JEFFERSONVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2018, with Rob Waiz, Redevelopment Director; John Vissing, Redevelopment Commission member; Leslie D. Merkley, City Attorney; Lisa Gill, President of the Common Council; and Ron Ellis, Common Council member.