

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MADISON PORT AUTHORITY

JEFFERSON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
09/19/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Executive Officer	Cathy S. Hale	01-01-15 to 12-31-19
Chairman of the Port Authority Board	Larry S. Keith Tom Solomon Ann Suchocki	01-01-15 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19
Mayor	Damon Welch	01-01-12 to 12-31-19



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

This report is supplemental to our audit report of the City of Madison Port Authority (Port Authority), 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 Port Authority. It should be read in conjunction with our Financial Statement Audit Report of the Port Authority, which provides our opinion on the Port Authority'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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

September 9, 2019

CITY OF MADISON PORT AUTHORITY  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the Port Authority related to cash and investments, receipts, and vendor disbursements.

One person was solely responsible for performing monthly bank reconciliations. There were no documented controls in place to prevent, or detect and correct, errors in cash and investments, such as an oversight, review, or approval process.

The Port Authority had not separated incompatible activities related to the receipt process. There were no documented controls in place, such as an oversight, review, or approval process over the receipting, depositing, and posting of receipts.

The Port Authority had not separated incompatible activities related to vendor disbursements. One person was responsible for preparing claims, writing checks, mailing checks, and performing the monthly bank reconciliation.

The lack of internal controls was a systemic issue, which occurred throughout the audit period.

*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. . . ."



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LOCAL SERVICE NATIONWIDE

September 16, 2019

**OFFICIAL RESPONSE**

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, Indiana 46204-2765

**RE: Audit Result and Comment for Year 2015**

This Official Response letter is provided in connection with your audit of the financial statement of the City of Madison Port Authority as of December 31, 2015, and for the year then ended held in accordance with 5-11-5-1 on September 9, 2019 at 11:00 a.m. at the Madison Railroad office located at 1121 W. JPG Woodfill Road, Building 216, Madison, Indiana.

At the request of Cathy Hale, CEO, those present at the Exit Conference on behalf of the Madison Railroad, City of Madison Port Authority were:

Cathy Hale, CEO, Madison Railroad, and Secretary, City of Madison Port Authority  
Ann Suchocki, Chairperson, City of Madison Port Authority  
Don Heiderman, Vice-Chairman, City of Madison Port Authority  
Lois Boulton, Board of Directors, City of Madison Port Authority  
Larry Keith, Board of Directors, City of Madison Port Authority  
Tom Solomon, Board of Directors, City of Madison Port Authority  
Casey Goode, Director Railroad Services, Madison Railroad  
Jeff Flores, Attorney, Madison Railroad and City of Madison Port Authority  
John Callicotte, Scott Callicotte (CMPA's accountant)  
Susan Craig, Executive Director, Southeastern Indiana Regional Planning Commission  
Julie Berry, Midwestern Engineers

Those present from the State Board of Accounts were:

Kimberly Dickerson, Field Examiner, SBOA (Federal Audit)  
Aaron Nobbe, Audit Manager, SBOA (Federal Audit)  
Cindy Slaven, Field Examiner, SBOA (State Audit)  
Brian Watkins, Audit Manager, SBOA (State Audit)

The City of Madison Port Authority concurs with the result and comment. However, we want to go on record stating that all controls you cited are already being conducted, with the exception of a "written plan". They were not being documented to the satisfaction of the SBOA.

The assertion that "one person was responsible for preparing claims, writing checks, mailing checks, performing the monthly bank reconciliation," does not fairly represent our process.

After the checks are written by the Director, Railroad Services, each check, along with the invoice, is provided to the CEO for her review and a hand-written signature. While this process is not in a "written document" if you view the canceled checks you will clearly see a hand-written signature.

All checks receipted are viewed by the CEO prior to being deposited. Deposits are made either by the CEO or Director, Railroad Services.

Monthly reconciliation reports are printed off each time the bank statements are reconciled, clearly showing the date and time of the reconciliation. Any changes made to these accounts would be clearly visible. The CEO reviews the Quick Books account no less than two times per week to view the balance, deposits and disbursements.

The City of Madison Port Authority's management team has established an internal control system, including segregation of duties and proper level approval. Management will document the oversight, reviews and approvals of the documents in question.

Thank you for the opportunity to respond to these findings.

Sincerely,



Cathy Hale, CEO  
Madison Railroad

Secretary,  
City of Madison Port Authority

cc: Ann Suchocki, Chairperson  
City of Madison Port Authority

CMPA Board of Directors

Jeff Flores, Attorney  
City of Madison Port Authority

CITY OF MADISON PORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2019, with Cathy S. Hale, Chief Executive Officer; Casey Goode, Director of Railroad Services; Ann Suchocki, Chairman of the Port Authority Board; Don Heiderman, Port Authority Board member; Lois Boulton, Port Authority Board member; Larry Keith, Port Authority Board member; Tom Solomon, Port Authority Board member; John Callicotte, Contracted Accountant; Susan Craig, Executive Director of Southeastern Indiana Regional Planning Commission; Jeff Flores, Attorney; and Julie Berry, Senior Executive at Midwestern Engineers, Inc.