

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF MADISON PORT AUTHORITY

JEFFERSON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
09/25/2019



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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



**STATE OF INDIANA**  
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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 PORT AUTHORITY, 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 Port Authority (Port Authority), for the year ended December 31, 2015, and the related notes to the financial statement, which collectively comprise the Port Authority's financial statement and have issued our report thereon dated September 9, 2019, wherein we noted the Port Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Port Authority's internal control over financial reporting (internal control) to determine the 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 Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority'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 Port Authority'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, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002, 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)

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the Port Authority'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 item 2015-001.

***City of Madison Port Authority's Response to Findings***

The Port Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Port Authority'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 Port Authority'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 Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

September 9, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 PORT AUTHORITY, JEFFERSON COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the City of Madison Port Authority's (Port Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The Port Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Port Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Port Authority's compliance.

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

***Opinion on the Major Federal Program***

In our opinion, the Port Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

**Report on Internal Control over Compliance**

Management of the Port Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003, that we consider to be a material weakness.


The Port Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Port Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

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

We have audited the financial statement of the Port Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statement. We issued our report thereon dated September 9, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted 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 basic 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.

  
Paul D. Joyce, CPA  
State Examiner

September 9, 2019

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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 Port Authority. The schedule and notes are presented as intended by the Port Authority.

CITY OF MADISON PORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Commerce</u>				
Economic Development Cluster				
Economic Adjustment Assistance	Direct Grant	11.307		
Rail Replacement Project			06-79-05904	<u>\$ 1,273,628</u>
Total - Economic Development Cluster				<u>1,273,628</u>
Total - Department of Commerce				<u>1,273,628</u>
Total federal awards expended				<u><u>\$ 1,273,628</u></u>

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

CITY OF MADISON PORT AUTHORITY  
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 Port Authority under programs of the federal government for the year ended December 31, 2015. 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 Port Authority, it is not intended to and does not present the financial position of the Port Authority.

*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 Port Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MADISON PORT AUTHORITY  
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 program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Unmodified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2015-001**

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

*Condition and Context*

The Port Authority had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is a financial reporting system used to compile the Port Authority's Schedule of Expenditures of Federal Awards (SEFA).

Material errors were noted during the audit of the SEFA.

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

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

*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. . . .

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 award years, the auditee may list the amount of Federal awards expended for each 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 a 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.

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

- (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 controls that would ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operate 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 which is part of this report.

**FINDING 2015-002**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition and Context*

The Port Authority had not separated incompatible activities related to cash and investments, receipts, and disbursements.

Cash and Investments: 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.

Receipts: There were no documented controls in place, such as an oversight, review, or approval process over the receipting, depositing, and posting of receipts.

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

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 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. . . .

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. . . ."

*Cause*

Management of the Port Authority had not established a proper system of internal controls over financial transactions and reporting.

*Effect*

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

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

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2015-003***

Subject: Economic Development Cluster - Special Tests and Provisions - Wage Rate Requirements  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year (or Other Identifying Number): 06-79-05904  
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements  
Audit Finding: Material Weakness

*Condition and Context*

The Port Authority had not implemented controls over the Special Tests and Provisions - Wage Rate Requirements, which would include segregation of duties. The grant administrator was primarily responsible for ensuring that the contractor's weekly payrolls were submitted and that the prevailing wage rate was met. There was no oversight, review, or approval process by the Port Authority to ensure compliance with this requirement.

This was a systemic problem throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C(1), 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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the Port Authority at risk of non-compliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Port Authority's management establish controls related to the grant agreement and the compliance requirement listed above.

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

*Views of Responsible Officials*

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

*Auditor's Response*

There was no documentation of oversight of the contractor's weekly payrolls by the Port Authority.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Port Authority. The document is presented as intended by the Port Authority.



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LOCAL SERVICE NATIONWIDE

September 13, 2019

**OFFICIAL RESPONSE and CORRECTIVE ACTION PLAN**

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

**RE: Audit Findings 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)

In compliance with 2CFR Part 200 Uniform Guidance stating when a federal audit is held, the auditee is responsible for follow-up and corrective action on a current year audit findings, if any.

**Finding(s) 2015-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding(s): Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action:

Cathy Hale

812-273-4248

**Views of Responsible Official:**

The City of Madison Port Authority concurs with the finding. We agree the federal award received, while in the annual financial statement was omitted from the official 2015 SEFA report submitted electronically through Gateway.

**Description of Corrective Action Plan:**

The City of Madison Port Authority will amend the 2015 SEFA report through Gateway as requested.

The City of Madison Port Authority will review Indiana Code 5-11-1-27(e) to ensure the understanding of the minimum level of internal control standards. It will also review 2 CFR section 200.508 and 200.510(b) to ensure future reporting compliance with these requirements.

Anticipated Completion Date: September 13, 2019

Cathy Hale  
Cathy Hale

CEO  
Title

9/13/19  
(Date)

**Finding(s) 2015-002**

Subject: Financial Transactions and Reporting  
Audit Finding(s): Material Weakness

Contact Person Responsible for Corrective Action:

Cathy Hale

812-273-4248

**Views of Responsible Official:**

The City of Madison Port Authority concurs with finding. 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, and 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.

**Description of Corrective Action Plan:**

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.

Anticipated Completion Date: September 13, 2019

Cathy Hale  
Cathy Hale

CEO  
Title

9/13/19  
(Date)

**Finding(s) 2015-003**

Subject: Economic Development Cluster – Special Test and Provisions-Wage Rate Requirements  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year or Other Identifying Number: 06-79-05904  
Compliance Requirement: Special Tests and Provisions-Wage Rate Requirements  
Audit Finding: Material Weakness

Contact Person Responsible for Corrective Action:

Cathy Hale

812-273-4248

**Views of Responsible Official:**

We do not concur with the SBOA finding. The Madison Railroad/City of Madison Port Authority hired Midwestern Engineers to assist with the Specifications and Bid Packet. As a part of this package, the engineer ensured that Madison Railroad hired an outside firm, separate from them, and separate from Madison Railroad that was a qualified Labor Standards Officer. A Pre-Bid meeting was held where all prospective bidders were made aware of the requirement to comply with the federal requirements of Davis Bacon.

Once Associated Railroad Contractors was selected as the lowest qualified bidder, a Pre-Construction Meeting was held with all parties present...Midwestern Engineers, Southeastern Indiana Regional Planning Commission (SIRPC), Madison Railroad and Associated Railroad Contractors.

It was clearly stated that all payroll would be required to comply with Davis Bacon Federal Standards.

Upon receipt of the first payroll from Midwestern Engineers, where it had been reviewed for compliance, it was sent to Madison Railroad. It was then reviewed and sent on to Jodi Comer, SIRPC, our Labor Standards Officer. Upon her approval, Madison Railroad then issued payment to Associated Railroad Contractors.

After the initial review and approval, the subsequent payrolls were reviewed and forwarded from Midwestern Engineers to Jodi Comer, SIRPC. However, Jodi Comer came on sight to interview employees to verify the correct wages were being received. C. Hale accompanied Jodi Comer on a minimum of one of these occasions.

**Description of Corrective Action Plan:**

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 now further document the oversight, reviews and approvals of the documents in question.

Anticipated Completion Date: September 13, 2019

Cathy Hale  
Cathy Hale

CEO  
Title

9/13/19  
(Date)

Thank you for the opportunity to respond to these findings.

Sincerely,

*Cathy Hale*

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

#### OTHER REPORTS

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