

**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, 2018 to December 31, 2018



**FILED**  
12/13/2019



## TABLE OF CONTENTS

| <u>Description</u>                                 | <u>Page</u> |
|--|-------------|
| Schedule of Officials .....                        | 2           |
| Transmittal Letter .....                           | 3           |
| City Controller:                                   |             |
| Audit Results and Comments:                        |             |
| Internal Controls over Transaction Recording ..... | 6-7         |
| Certification on Internal Control Standards .....  | 7           |
| Use of Tax Increment Financing (TIF) Funds .....   | 7-9         |
| Exit Conference .....                              | 10          |
| Common Council:                                    |             |
| Audit Result and Comment:                          |             |
| Training on Internal Control Standards .....       | 12          |
| Exit Conference .....                              | 13          |
| Redevelopment Commission:                          |             |
| Audit Result and Comment:                          |             |
| Use of Tax Increment Financing (TIF) Funds .....   | 16-17       |
| Exit Conference .....                              | 18          |

### SCHEDULE OF OFFICIALS

| <u>Office</u>  | <u>Official</u>          | <u>Term</u>                                  |
|--|--------------------------|--|
| City Controller                                      | Heather Metcalf          | 01-01-18 to 12-31-19                         |
| Mayor  | Mike Moore               | 01-01-16 to 12-31-19                         |
| President of the Board of<br>Public Works and Safety | Mike Moore               | 01-01-18 to 12-31-19                         |
| President of the Common Council                      | Lisa Gill<br>Ed Zastawny | 01-01-18 to 12-31-18<br>01-01-19 to 12-31-19 |
| Utility Office Manager                               | Elisha Gibson            | 01-01-18 to 12-31-19                         |



**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, 2018 to December 31, 2018. 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 Audit 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 24, 2019

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CITY CONTROLLER  
CITY OF JEFFERSONVILLE

CITY CONTROLLER  
CITY OF JEFFERSONVILLE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER TRANSACTION RECORDING**

*Condition and Context*

Controls were not in place to ensure transactions were recorded in the correct accounting period. As a result, several transactions were identified that were not posted in the correct accounting period. A summary of the most significant transactions were identified as follows:

1. Wastewater utility state revolving loan payments totaling \$3,490,893 were posted to the ledger on December 21, 2018, but not actually paid until January 3, 2019.
2. Payments to vendors, utilizing disbursement cards (a type of credit card), were recorded as cash disbursements in December 2018 when processed for payment utilizing the disbursement cards. However, the actual cash disbursements totaling \$315,851 to pay off these amounts charged to the disbursement cards did not occur until 2019.
3. Disbursements from the Non-Reverting Health Insurance fund totaling \$317,133 that occurred in December 2018 were not recorded until January 24, 2019.
4. A disbursement for the payment of federal payroll taxes of \$85,304 that occurred on December 21, 2018, was not recorded until February 1, 2019.
5. A disbursement in the amount of \$167,183 from the Sewage Operating and Maintenance fund to the Redevelopment Operating fund, that occurred on December 6, 2018, pursuant to a reimbursement agreement, was not recorded as a receipt to the Redevelopment Operating fund. It appears that a receipt for the payment was not recorded because as of October 2, 2019, the check had not been deposited, but was being held, pending a renegotiation of the underlying reimbursement agreement.
6. Problems were identified with how payment of claims approved for early disbursement prior to board approval were recorded. Although cash was posted at the time of payment, the expenditure was not posted until the claim was approved by the board, which in some cases was in a different accounting period.

These transactions were identified as reconciling items on the City's bank account reconciliations and most have been subsequently recorded or corrected, but not necessarily in the correct accounting period.

Audit adjustments were proposed, accepted by the City, and made to the financial statements for the material amounts identified.

*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:

CITY CONTROLLER  
CITY OF JEFFERSONVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

"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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City Controller certified in the Indiana Gateway for Government Units financial reporting system that the City had provided training regarding internal control standards to all required employees. However, the City failed to provide training over the internal control standards to all required personnel.

*Criteria*

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

**USE OF TAX INCREMENT FINANCING (TIF) FUNDS**

The same comment also appeared in prior Report B51501.

The City used TIF funds for ongoing maintenance of properties that have already been redeveloped. The City expended \$13,197 and \$9,868 for the ongoing maintenance of the redeveloped Big 4 Station area and the Fisherman's Wharf area, respectively.

Additionally, TIF funds in the amount of \$50,932 were spent to purchase 2 antique horse sleighs, a 21' trailer, recycle bins, garbage can lids, a lawn mower, and shipping containers.

CITY CONTROLLER  
CITY OF JEFFERSONVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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.
- (C) 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.
- (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. . . .

CITY CONTROLLER  
CITY OF JEFFERSONVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

(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 October 24, 2019, with Mike Moore, Mayor; Lisa Gill, Common Council member; Ronald Ellis, Common Council member, Rob Waiz, Board of Public Works and Safety member/Redevelopment Director; Heather Metcalf, City Controller; and Leslie D. Merkley, Corporation Council.

COMMON COUNCIL  
CITY OF JEFFERSONVILLE

COMMON COUNCIL  
CITY OF JEFFERSONVILLE  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

Training on internal control standards and procedures was not provided to some City department heads and new employees hired in 2018 that were required to have the training.

*Criteria*

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL  
CITY OF JEFFERSONVILLE  
EXIT CONFERENCE

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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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The City used TIF funds for ongoing maintenance of properties that have already been redeveloped. The City expended \$13,197 and \$9,868 for the ongoing maintenance of the redeveloped Big 4 Station area and the Fisherman's Wharf area, respectively.

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". . . 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.

(C) 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.

(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.

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

(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: . . .

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