

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, 2021 to December 31, 2021



FILED
12/12/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rick Berry Kathleen M. Rampy	01-01-21 to 02-06-22 02-07-22 to 12-31-22
Mayor	Bob G. Courtney	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	Bob G. Courtney	01-01-21 to 12-31-22
President Pro Tempore of the Common Council	Kathleen M. Rampy Curtis Chatham	01-01-21 to 02-06-22 02-07-22 to 12-31-22
Utility Office Manager	Rob Holt	01-01-21 to 12-31-22



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, 2021 to December 31, 2021. 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 opinions on the City's financial statement. This report may be found at 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 28, 2022

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CLERK-TREASURER
CITY OF MADISON

CLERK-TREASURER
CITY OF MADISON
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City certified on the Indiana Gateway for Government Units financial reporting system that the training on internal control standards was completed; however, documentation that all required employees had received the training was not presented for audit.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

MONTHLY GATEWAY UPLOADS

Condition and Context

The City did not fully comply with State Examiner Directive 2018-1. Beginning in October 2021, bank statements, bank reconcilements, and outstanding check lists were only uploaded for bank accounts held at the Bank of New York Mellon Trust Company, N.A. The required bank information for other City accounts was not uploaded for October, November, or December.

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter . . .

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. . . .

The following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

(Amended State Examiner Directive 2018-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B57349, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The City had not developed a proper system of internal control to ensure that transactions were posted timely and in the correct accounting period, or to prevent, or detect and correct, errors in reporting. Year-end transfers from the prior audit were not posted until January 2021. The City's accounting system allowed the transfers out to be backdated to December 30, 2020; however, the transfers in were dated January 14, 2021, which resulted in the City's cash balance at January 1, 2021, being understated in the amount of \$1,383,485. Audit adjustments were made to the prior financial statement in the prior audit to correct the fund balances, but the adjustments were not properly reported in the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Annual Financial Report and financial statement for 2021. Therefore, the City's cash balance was understated by \$1,383,485 as of January 1, 2021.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances was also misstated due to the error noted above.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report for the City.

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. . . ."

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

"The state examiner shall require from every audited entity 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](#)."

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

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

Payroll taxes and sales tax were not properly remitted to the Internal Revenue Service and the Indiana Department of Revenue. Penalties and interest in the amount of \$15,670 were paid in 2022. The penalties and interest were assessed on tax periods from December 2019 to December 2021. These payments were the responsibility former Clerk-Treasurer.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2022, with Kathleen M. Rampy, Clerk-Treasurer; Bob G. Courtney, Mayor; Mindy McGee, Deputy Mayor; Carla Krebs, Common Council member; Melissa K. Enstrom, Deputy Clerk; Kristi Wisman, Deputy Clerk; and Kim Feltner, Deputy Clerk.

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COMMON COUNCIL
CITY OF MADISON

COMMON COUNCIL
CITY OF MADISON
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The City did not provide documentation that all required employees had received training concerning the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2022, with Kathleen M. Rampy, Clerk-Treasurer; Bob G. Courtney, Mayor; Mindy McGee, Deputy Mayor; Carla Krebs, Common Council member; Melissa K. Enstrom, Deputy Clerk; Kristi Wisman, Deputy Clerk; and Kim Feltner, Deputy Clerk.