COMMON COUNCIL OF THE CITY OF HOBART, INDIANA

RESOLUTION NO. 2017- 03

A Resolution to Communicate the City of Hobart Internal Control Objectives and to Document the Responsibilities, Procedures and Activities related to the City of Hobart Internal Control Standards

WHEREAS, the Common Council ("Council") of the City of Hobart, Indiana ("City") previously enacted its Ordinance No. 2009- 16 which adopted Internal Control Accounting Standards for the City of Hobart and its instrumentalities and added §32.03 MINIMUM INTERNAL CONTROLS to the Municipal Code of the City of Hobart; and

WHEREAS, the Council also adopted Resolution 2016-14: Adopting the Policy of the City of Hobart to Determine whether an Erroneous or Irregular Variance, Loss, Shortage or Theft of Public Funds or Assets is Material for Purposes of Reporting to the Indiana State Board of Accounts and the Prosecuting Attorney of Lake County; and

WHEREAS, as part of the Internal Control Process, the Council now wishes to adopt a policy to communicate more specific City of Hobart objectives and to document the responsibilities, procedures and activities to facilitate the implementation of the City of Hobart Internal Control Standards.

THEREFORE, BE IT RESOLVED by the Common Council of the City of Hobart that:

SECTION ONE: The City of Hobart Indiana hereby adopts the Internal Control Policy attached hereto and incorporated herein as <u>Exhibit A.</u>

SECTION TWO: All City elected officials, public officers, employees and agents are directed to comply with this policy.

SECTION THREE: This Policy shall take effect upon adoption, and shall continue in effect until further notice.

ALL OF WHICH is adopted as the Resolution of the Common Council of the City of Hobart on this _5th_ day of _APRIL_ , 2017.
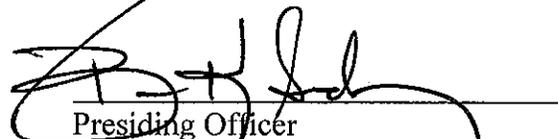
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Presiding Officer

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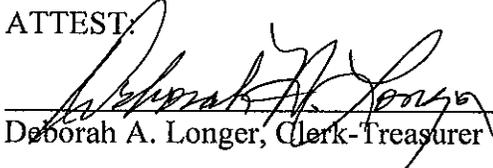
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Deborah A. Longer, Clerk-Treasurer

POLICY:

The purpose of this policy is to communicate the Common Council's internal control objectives to all employees and elected officials of the City of Hobart and to document the procedures and activities within the City related to the five (5) Components and seventeen (17) Principles of internal controls as established by the Indiana State Board of Accounts and as adopted by the Common Council of the City of Hobart. The Minimum Internal Control Standards, §32.03 of the Hobart Municipal Code incorporates the *Uniform Internal Control Standards for Indiana Political Subdivisions* as adopted by the Indiana State Board of Accounts and are provided as an appendix herein. Documents included as appendices are for convenience but regulations or other documents intended to facilitate internal controls are developed on a management level and may change as needed to meet objectives.

As defined in the *Uniform Internal Control Standards for Indiana Political Subdivisions,* management includes elected officials and department heads that design and implement controls and control activities for their office or department. As this pertains to the City of Hobart, the Mayor, Clerk-Treasurer, City Judge and Department Heads are considered management under this policy.

COMPONENT ONE: CONTROL ENVIRONMENT

Principle 1: The oversight body and management demonstrate a commitment to integrity and ethical values.

Internal Control is a process and the control environment is the foundation upon which all components of internal control are based. It sets the tone for City operations. It is about people, operations, communications, and the work environment. It takes shape through the implementation of relevant policies, procedures, and practices. As the legislative body, the Common Council expects the management to maintain an internal control environment by adopting policies and procedures necessary to provide reasonable assurance that practices cause effective and efficient operations and compliance with applicable laws and regulations. The legislative body of the City regularly reviews Ordinances and its policies with management to meet the implementation requirements of the internal control structure and adopts or amends them as needed.

A City of Hobart Ethics Policy was established in January 2004 and is reviewed by the Council at least every four years and more frequently if needed. In 2013, the City entered into an interlocal agreement with the Shared Ethics Advisory Commission, signaling a commitment to ethical values of all who serve in some capacity with the City of Hobart. The Shared Ethics Commission and the City provide for training of all employees, elected officials, and board and commission members every two years.

New employees are provided ethics and internal controls training within 30 days of their employment. Employees are encouraged to report suspected fraud and abuse of local policies to their department heads, or an elected official. In addition, a confidential reporting system for individuals to report suspected fraud and abuse of local policies has been established in the form of a "drop-box" and its availability and location is communicated to the employees during the training. A written copy of the Ethics Policy is provided to each employee upon hiring. A procedure to address violations of policies and consequences for violations is established with an Ethics Committee as part of the Ethics Policy. The Clerk-Treasurer annually certifies that the training has been provided to employees in Internal Controls and Ethics Policies.

Principle 2: The oversight body oversees the entity's internal control system.

The Common Council is responsible for setting the expectations of internal controls, ensuring management is aware of those expectations and monitors the effectiveness of the control environment and implementation by adopting, reviewing and amending control policies and procedures. This legislative body of the City regularly reviews Ordinances and Policies with management to meet the implementation requirements of the internal control structure and adopts or amends these documents as needed.

The management team meets on a regular basis to assure communication and implementation of policies and discuss weaknesses within the control system. The Council also schedules sub-committee meetings of the Ordinance Committee where management can recommend revisions to the ordinances and policies of the City.

Principle 3: Management establishes an organizational structure, assigns responsibility and delegates authority to achieve the political subdivision's objectives.

Management has established an organizational chart, identifying authority delegation and incorporating all departments and positions listed in the salary ordinance. Specific duties for each position is listed in job descriptions and reviewed by management at least annually or more often if needed. The Clerk-Treasurer's office maintains the organizational charts and job descriptions and works with management to update the duties listed in order to maximize the effectiveness and efficiency of operations throughout the City in keeping with the control environment.

Individuals with delegated approval authority, e.g. Elected Officials and Department Heads, are responsible for establishing, maintaining, and supporting a system of internal controls within their areas of responsibility and for creating a control environment that encourages compliance with City policies and procedures.

Adequate supervision is necessary to monitor that internal controls are operating as intended, and to help ensure the reliability of accounting and operational controls by pointing out errors, omissions, exceptions, and inconsistencies in procedures. Staff in leadership roles are responsible for the application of this policy and the design, development, implementation and maintenance of systems of internal controls focusing on the effectiveness of operations and the safeguarding of assets within their respective areas of responsibility. All levels of management and supervision are responsible for strengthening internal controls when weaknesses are detected. Department Heads should periodically review departmental procedures to ensure that the general principles of internal control are being followed.

In order to fulfill statutory duties, the Clerk-Treasurer must have the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules and regulations. The Clerk-Treasurer's office is the City's chief source for information and assistance to staff and Department Heads on this topic and will make resources available to assist in administering this policy.

Principle 4: Management demonstrates a commitment to attract, develop and retain competent individuals.

Management determines the skills necessary for each level of the organizational chart and job descriptions include those skills needed to accomplish the assigned responsibilities of the position. The Employee Handbook, issued to each employee and documented in the employees' personnel files, sets forth the Council's Employment Policies, Expectations and Benefits for all employees. Prior to

employment individuals may be subject to pre-employment background screening. Employees are evaluated on a regular basis to assess performance and address any deficiency in skills. The City will continue to assess the best recruitment pools and tools for the different skill sets necessary to adequately implement and maintain quality services including but not limited to promotions from within the City, job fairs and college recruiting, internship programs, and networking with other organizations.

Employees will be regularly trained in internal control methods as needed by management or staff in supervisory roles. The Indiana State Board of Accounts Internal Control training is provided to all employees and documented in employees' personnel files. Certifications, training requirements and review schedules, specific to certain positions, are maintained by Department Heads and monitored to assure compliance with the necessary competencies. Management provides training to employees as needed on new procedures, laws and governmental guidelines to meet the objectives of the legislative body.

Principle 5: Management evaluates performance and holds individuals accountable for their internal control responsibilities.

Individuals are held accountable for their internal control responsibilities as outlined in their job descriptions and the employment policies and expectations in the Employee Handbook. Management schedules regular performance reviews with each employee as well as providing feedback as needed to address possible weaknesses in internal control procedures and implements corrective action as appropriate.

Management coordinates internal control duties with other appropriate departments to assure the objectives that cross over offices and departments are being met. These coordinated efforts include but are not limited to grant reporting and compliance, revenue and claims processing, personnel and payroll procedures, and asset management.

Communications to supervisory staff regarding possible weaknesses or non-compliance with internal control procedures is the responsibility of each individual. Communications may be received either internally from other employees or externally from citizen complaints or issues. Management and the Council work together to assess the issues and address concerns about non-compliance with internal control procedures and take appropriate corrective action.

COMPONENT TWO: RISK ASSESSMENT

Principle 6: Management defines objectives clearly to enable the identification of risks and defines risk tolerances.

Through the creation of standard operating procedures and accurate organizational reporting charts and job descriptions, management conveys and identifies objectives, missions, policies and risk tolerances to employees. Each Department Head will lead a risk analysis of three major areas within their departments:

1. The effectiveness and efficiency of operations.
2. The reliability of reporting for internal and external use.
3. Compliance with applicable laws and regulations.

For each category, management will define objectives in specific measurable terms in order to enable the design of internal control for related risk, increase understanding at all levels, assess performance, identify what is to be achieved, who is to achieve it, how it will be achieved, when it will be achieved and incorporate external requirements.

Management will coordinate internal control duties with the Clerk-Treasurer to comply with the Uniform Compliance Guidelines and applicable laws, rules and regulations with regard to grant reporting and compliance, revenue and claims processing, personnel and payroll procedures and asset management.

Principle 7: Management identifies, analyzes, and responds to risk related to achieving the defined objectives.

Management will be cognizant of the various types of risks at the entity and transaction level for each department and identifies risks within their respective offices and departments. Risk factors may include but are not limited to the organizational structure, new technology, complexity of a program or transaction, new or amended laws, economic instability, or worker safety.

Management will identify, analyze and respond to the risks identified in Principle 6 by determining:

1. How likely is the risk to occur?
2. How will it impact the objective?
3. Is the risk based on complex or unusual transactions?
4. Is the risk based on fraud?

Risks may be analyzed individually or collectively. Once the risks have been identified and analyzed, Department Heads will work with the Mayor and Clerk-Treasurer as needed to determine how to respond to each risk and design specific actions accordingly.

The Council's Insurance sub-committee will determine the insurance coverages necessary to address the risk factors related to the safeguarding of assets.

Principle 8: Management considers the potential for fraud when identifying, analyzing, and responding to risks.

Management is committed to fraud prevention and utilizes the similar analysis and response procedures to fraud risk as set forth in Principle 7 in the analysis and response to risk. Fraud responses will include statutorily required responses to fraud, including but not limited to I.C. §5-11-1-27(l) Report of Misappropriation of Funds to State Board of Accounts and Prosecuting Attorney and I.C. §5-11-1-27(j) Report of Material Variances, Losses, Shortages, or Thefts to the State Board of Accounts.

The Council has adopted a specific policy for determination as to whether an erroneous or irregular variance, loss, shortage, or theft of public funds or assets is material for purposes of reporting to the Indiana State Board of Accounts and the Prosecuting Attorney of Lake County. Included in this policy are provisions for the reporting of misappropriations of funds and disclosure procedures and materiality thresholds in keeping with the reporting requirements as required by statute in I.C. §5-11-1-27(l) and I.C. §5-11-1-27(j).

Principle 9: Management identifies, analyzes, and responds to significant changes that could impact the internal control system.

The Clerk-Treasurer, in coordination with the Elected Officials and Department Heads, will regularly evaluate and adjust internal control policies in order to accommodate the impact of future changes, including but not limited to: personnel changes, newly elected officials, new programs, new technology, new laws, new regulations for reporting, and financial fluctuations.

Management will provide new employees with information and training on internal controls and employee policies both on a city-wide level provided through the Clerk-Treasurer's office and on a departmental level provided by the Department Head or supervisory staff.

Management will work with the Clerk-Treasurer to evaluate new software and reevaluate policies and procedures to determine if existing controls will continue to be effective and if new controls need to be designed or implemented.

COMPONENT THREE: CONTROL ACTIVITIES

Principle 10: Management designs control activities to achieve objectives and respond to risks.

Management designs control activities in response to the objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the City's objectives and address related risks. As part of the control environment, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the objectives. Control activities are designed to help management fulfill the responsibilities and address identified risk responses in the internal control system.

The Council and management are aware that internal control is a process that must be constantly evaluated, adapted and maintained to satisfy the City's objectives in the following categories:

1. Risks are identified and effectively managed
2. Safeguarding of City assets
3. Reliability and integrity of financial information
4. Compliance with City policies, plans, procedures, laws and regulations
5. Economical and efficient use of City resources
6. Meeting established objectives and goals for City operations and programs

Control activity categories cover a wide spectrum that management utilizes to tailor control activities to the functions of the City and documents the required procedures. The following list is not all inclusive and does not necessarily comprise a complete list of required procedures for the City's internal control system, and may be amended by management as needed to achieve objectives and respond to risks:

A. General internal control principles for Departments are:

   1. Top-level reviews of actual performance:
      Management tracks major achievements and compares these to the plans, goals, and objectives set by the entity.

   2. Reviews by management at the functional or activity level:

Management compares actual performance to planned or expected results throughout the department and analyzes significant differences.

3. Management of human resources:

   Management continually assesses human resources needed for a workforce that has the required knowledge skills and abilities to achieve the organizational goals. Training is aimed at developing and retaining employee knowledge, skills and abilities to meet changing organizational needs. Management assigns responsibilities and provides supervision, performance evaluations and feedback to the workforce to help employees understand the connection between their performance and the City's objectives.

4. Controls over information processing:

   Management oversees and facilitates effective and responsible communications with external parties through the updating of information available on the City's website and timely and appropriate responses to public record requests in compliance with the Indiana Access to Public Records Act (APRA). Coordination of information processing may be required as a cooperative effort from a variety of departments and management will provide assistance as needed to meet the objective.

5. Physical control over vulnerable assets:

   Management maintains controls for physical security and custody of City assets to safeguard the investment in compliance with the Council's Capital Asset Policy as adopted. Control records are maintained by each department and the Clerk-Treasurer's office.

6. Establishment and review of performance measures and indicators:

   Management utilizes a variety of performance measures and indicators to evaluate the various City systems, processes, operations, functions and activities. The results of these evaluations provide information regarding the City's overall system of control. All levels of management evaluations include an assessment of the costs, benefits, and risks to maintain a positive control environment while meeting the objectives.

7. Segregation of duties:

   Management divides or segregates key duties and responsibilities among different people on both a departmental level and city-wide, in the form of appropriate Board or Commission oversight, to reduce the risk of error, misuse, or fraud. Duties are separated so that one person's work routinely serves as a check on another's work and certain operations require a multi-level approval processes to separate the authorization, processing and reviewing of a transaction and the handling of any related assets so that no one individual controls all key aspects of a transaction, function or activity.

8. Proper execution of transactions:

   Proposed transactions are authorized and executed only by persons acting within the scope of their authority and when proper and consistent with the City's policies, goals and objectives. Oversight by management and approvals from the appropriate Board or Commission is required to assure that only valid transactions to exchange, use or commit resources are initiated or entered into.

9. Accurate and timely recording of transactions:
Approved transactions are promptly processed and recorded to maintain their relevance and value to management in controlling operations and making decisions. Accounting records and documents are examined by employees who have sufficient understanding of the City accounting and financial systems to verify that recorded transactions actually took place and were made in accordance with City policies and procedures. Department heads compare departmental accounting records and documentation with City accounting system reports and financial statements to verify their reasonableness, accuracy and completeness.

10. Access restrictions to and accountability for resources and records:
The Clerk-Treasurer's office maintains and limits access to resources and current and historical records to authorized individuals and assigns and maintains accountability for their custody and use.

11. Appropriate documentation of transactions and internal control:
Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation includes but is not limited to management directives, Council policies, procedures and guidelines for organizational processes, forms, and operations manuals. Employees must understand their own roles in the internal control system as well as how individual activities relate to the work of others. To this end, whenever a new budgetary unit, financial activity or procedure is set up, the Clerk-Treasurer will provide notification to the appropriate parties of the responsibility incumbent on them for good business practices and sound financial management, including reference to the principles within this policy. Management relays a clear message to all personnel that control responsibilities apply to every level of the City's operations and activities.

B. Specific internal control policies for all Departments:

1. Payroll Activities:

a) Salaries and wage rates are verified by someone outside of the payroll process.

b) The responsibilities for hiring, terminating, and approving promotions are segregated from those preparing payroll transactions or inputting data.

c) The responsibilities for approving time sheets are segregated from those for preparing payroll transactions or inputting data.

d) Payroll adjustment reports are reviewed by someone outside of the payroll process.

e) Employees' time and attendance records are approved by their supervisors.

f) Corrections to recorded time and attendance records are approved by the employee's supervisor and authorized by management.

g) Procedures are in place to ensure that changes in employment status are promptly reported to the payroll processing unit.

h) Payroll disbursements are reviewed and approved by an authorized individual prior to payment.

i) Access to payroll applications is appropriately controlled by user logins and passwords.

j) Changes to a payroll disbursement are approved by an individual other than the ones authorized to make the changes.

k) Payroll checks are accounted for in numerical order and reconciled to the payroll check register.

l) Access to the signature stamp used to sign payroll checks is adequately controlled.

m) Payroll checks/stubs are periodically distributed by someone outside the normal payroll distribution function.

n) Unclaimed payroll checks/stubs are returned to an individual other than those involved with the payroll process.

o) Employees are cross-trained on the payroll process; those assigned to payroll take mandatory vacations.

2. Disbursement Activities:

a) The responsibility for approving claims is segregated from those preparing claims.

b) Checks are written by an individual other than the one approving the claim.

c) Checks are signed by an individual other than the one preparing them.

d) Claims for payment are reviewed and approved by the governing body prior to payment.

e) A reconcilement is completed between the claims for payment approved by the board and the actual disbursements posted to the ledger.

f) The responsibility for acknowledging the receipt of goods or services is segregated from those preparing claims and writing checks.

g) Vendor checks are accounted for in numerical order and reconciled to the disbursement ledger.

h) Invoices or other receipts are attached to each claim to support the disbursement.

i) A review is completed by an individual outside the disbursement process in which the claim amount is compared to the supporting documentation attached to the claim and the amount of the check.

j) Access to disbursement applications is appropriately controlled by user logins and passwords.

3. Receipting Activities:

a) The responsibility for collecting money and issuing receipts is segregated from those preparing the bank deposit.

b) The responsibility for making bank deposits is segregated from those preparing the monthly bank reconcilement.

c) Pre-numbered receipts are issued for all money collected and the duplicate receipt is retained.

d) Receipts are reconciled to the cash receipts ledger by an individual other than the one collecting money and issuing receipts.

e) Posting of receipts to the ledger is completed by an individual other than the one who collects money and makes the deposit.

f) Receipts indicate the type of payment received (cash, check, etc.) and this is reconciled to the make-up of the bank deposit.

g) Accounts receivable records are maintained by an individual other than the one(s) involved in the billing process.

h) The billing process is completed by an individual other than the one who collects cash payments from customers.

i) Adjustments to customer accounts are approved by the governing body only after a thorough review.

j) A periodic review is completed of all adjustments made to customer accounts by an individual independent of the billing and accounts receivable processes to ensure that all adjustments made have proper approval from the governing body.

4. Cash Activities:

a) A reconcilement between the recorded cash balance and the bank balance is completed monthly by an individual separate from the receipting and disbursing processes.

b) A reconcilement between the receipts ledger and the credits to the bank account is completed periodically by an individual separate of the receipting process.

c) A reconcilement between the disbursement ledger and the debits to the bank account is completed periodically by an individual separate of the disbursement process.

d) The monthly reconcilement between the cash balance and the bank balance is thoroughly reviewed and approved by the governing body.

e) Disbursement from and reimbursements to petty cash funds are periodically reviewed by an individual other than the one responsible for maintaining the petty cash fund.

5. Charge Transactions:

No Credit Cards are issued to the City of Hobart or to any employee or Elected Official on behalf of the City.

Management determines and periodically reviews a list of employees authorized to charge purchases for the departmental functions and activities with specific and limited local vendors. The list is maintained by the Clerk-Treasurer and distributed to the applicable vendors when updated. Department Heads approve the purchase prior to the employee being dispatched to purchase the items needed. Vendors require a valid ID and signature from those employees requesting to purchase an item on behalf of the City and are requested to check the name of the employee against the list they have on file. In the case of a store account card being issued for tax exempt tracking, the Clerk-Treasurer maintains all store account cards and logs the names of the person using the card, the date the card is taken and returned and the amount of the purchases. Department Heads process a claim for the purchase in a timely manner in keeping with the disbursement approval requirements. Statements received from vendors are compared with claims to assure that all transactions are accounted for and approved by the Board.

General internal control principles and specific policies are the responsibility of all departments. The Clerk-Treasurer will work with Department Heads, supervisors and appropriate employees to assure that any departmental operations related to accounting records and reports, payroll, cash receipts, petty cash and change funds, purchasing/receiving/disbursement approvals, equipment and supply inventories, and billing and accounts receivable activities are performed in accordance with City policies and procedures.

Principle 11: Management designs the political subdivision's information system and related control activities to achieve objectives and respond to risks.

Management utilizes Information Technology systems as an integral part of the internal control system. Objectives for security management include confidentiality, integrity and availability. Confidentiality means that data, reports, and other outputs are safeguarded against unauthorized access. Integrity means that information is safeguarded against improper modification or destruction which includes ensuring

information's nonrepudiation and authenticity. Availability means that data, reports and other relevant information are readily available to users when needed. The Council's policies on Computer Use and Confidentiality are included in the Employee Handbook.

The Clerk-Treasurer's office maintains and regularly upgrades the City's financial accounting software, which has been approved by the Indiana State Board of Accounts, separately from other departments within the city to control access and protect it from unauthorized use. The system posts receipts and disbursements in "real-time" providing the most current and reliable information available. The system incorporates internal controls including but not limited to:

- Setting of permissions such that only certain users may perform certain tasks.
- Requiring separate User IDs and passwords for each employee, requiring regularly scheduled changes to passwords.
- Tracking of transactions by employees to accomplish accountability and segregation of duties.
- Limiting the authority to access different components of the software to employees with duties specifically related to that component.
- Automation of certain processes and calculations.
- Restricting the authority to correct or make adjustments to the records on the system to key employees or management.
- Providing the use of State Board of Accounts prescribed forms or approvals of alternative forms.

The Clerk-Treasurer's office maintains financial data both internally in the form of electronic data back-ups and externally in the form of physical copies of all receipts, disbursements, transfers, and adjustments in accordance with the State's records retention policies. This practice ensures the authenticity and accountability of each transaction.

The Clerk-Treasurer's office maintains the information technology infrastructure in a secure location with daily back-ups stored securely off-site. A recovery plan is maintained and tested to prevent loss of data and continuity of operations in the event of a failure of the IT system. Upgrades to the Clerk-Treasurer's office hardware and software is determined using a systems development life cycles framework to maintain the highest quality and performance of the IT system to meet objectives.

Principle 12: Management implements control activities through policies.

The City has an Employee Handbook to communicate policies to employees. The Employee Handbook is adopted by Ordinance of the Council and is amended as the Council deems appropriate. The Council's Internal Control Policy communicates the objectives to all employees and documents the procedures and activities within the City related to Internal Controls. The Employee Handbook and the Internal Control Policy is available both electronically and in hard copy form.

Additionally, the Clerk-Treasurer regularly works with departments and employees who handle financial transactions to recommend and ensure best practices for the operational process. Templates of forms are made available to departments for frequent procedures that document adherence to certain operations such as deposit memos, asset management notifications, claims lists, and personnel status changes. Procedures are in writing and communicated frequently to all relevant employees.

COMPONENT FOUR: INFORMATION AND COMMUNICATION

Principle 13: Management uses quality information to achieve the political subdivision's objectives.

The Council and management encourage and facilitate appropriate training opportunities relevant to City operations to gather the most high quality and current information available. Management meets on a regular basis to share information with appropriate departments, either individually or as a group, and utilizes written and electronic mail to communicate between offices or departments when needed.

In an effort to assure financial transparency and accountability, the City has invested in financial systems that exceed State mandated minimums and provides the Council, management and stakeholders with high quality, detailed information when requested. Links provided on the City's website to the State of Indiana, State Board of Accounts and Department of Local Government Finance websites as well as some regional, county and local relevant websites also provide the most current information available to the general public.

Principle 14: Management internally communicates the necessary quality information to achieve the political subdivision's objectives.

Management meets on a regular basis to discuss changes in operations, procedures and other information relative to the City's internal control objectives. Common Council and Board of Public Works and Safety agendas are provided in written form to all management and posted on the City's website when issued to facilitate a flow of information regarding items to be considered at the next scheduled meeting. E-mail communications with all Elected Officials, Department Heads, Boards, Commissions and employees is established and utilized to disseminate information as needed relevant to their respective positions.

The Clerk-Treasurer distributes written memos and Ordinances, adopted after the codification of the Hobart Municipal Code that are amendments to the Code, to all departments. Council action in the form of Resolutions and Ordinances separate from the Municipal Code are distributed to the appropriate departments and all are posted on the City's website by the Clerk-Treasurer to provide the information to the general public.

Principle 15: Management externally communicates the necessary quality information to achieve the entity's objectives.

Communications with the State Board of Accounts, other State agencies, grantor agencies, and regulatory agencies are documented by e-mail, memos, letters and other forms of written correspondence. All documents are maintained in accordance with the State's record retention policies. Reports are cross checked for accuracy, relevancy and timeliness of information prior to issuance.

The City's website is utilized to provide transparency and accountability, communicating activities with the general public. Council, Board and Commission Agendas are posted when issued and Minutes of each meeting, once approved by the relevant entity, are posted along with a calendar of regularly scheduled meetings to provide the public with timely information.

COMPONENT FIVE: MONITORING ACTIVITIES

Principle 16: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

Management is responsible for a system of monitoring on a departmental level that includes:
1. Periodic checks to determine if controls are in place and working effectively.
2. Reviewing control activities to determine if the actual activities are in compliance with established procedures.
3. Documenting of deficiencies in the internal control processes and remediating them quickly and appropriately.

The Mayor, Clerk-Treasurer and City Judge work together to monitor and evaluate compliance with internal control policies. Unscheduled site visits, redundancy policies, layered approval systems, separation of duties, monthly reports and departmental oversight allow management to both review and evaluate control systems.

Principle 17: Management remediates identified internal control deficiencies on a timely basis.

Internal control deficiencies may be identified internally through monitoring and evaluation or externally through audit reports, communication from grantor agencies, etc. Once identified, the Mayor and Clerk-Treasurer, and to the extent applicable the City Judge, actively investigate and address the deficiencies immediately through the development of a formal or informal corrective action plan as warranted, adjusting policies and procedures to prevent deficiencies in the future. The management group will meet to discuss the control deficiencies and the corrective action plan implemented to prevent further deficiencies. Control deficiencies identified by an external entity will be addressed by a written (formal) corrective action plan, provided to the entity upon implementation. Internally identified deficiencies will be corrected (informally) through the adjustment of policies and procedures and communicated to the appropriate staff.